Ranger Oil Limited

ANNUAL REPORT 1981

McGILL UNIVERSITY

CORPORATE HISTORY

In thirty years, Ranger Oil has grown from a relatively small oil and gas company active only in Western Canada and the United States into a substantial independent oil and gas explorer and producer with wider international interests.

The Company was incorporated in the Province of Ontario, Canada, August 21, 1950 as Maygill Petroleum Company. Its name was changed to West Maygill Gas & Oil Limited on May 13, 1954 when its capital was reduced by 10:1. The name was changed to Ranger Oil (Canada) Limited on August 5, 1958 and on June 12, 1980, the Company was continued under the Canada Business Corporations Act as Ranger Oil Limited. The Company's common shares were split two for one on August 10, 1978; two for one on December 12, 1979; and three for one on October 31, 1980.

COMMON SHARE MARKET DATA

The common shares of the Company are listed on the Toronto, American, and London stock exchanges. The high and low sales prices for the common shares on the Toronto and American stock exchanges for each quarter of the two fiscal years 1981 and 1980 are tabulated below. The Company has not paid any dividends on its common shares.

	Toronto Stock Exchange (Canadian dollars)		American Stock Exchange (U.S. dollars)	
1981				
1st Quarter	$23.00	$16.00	$19.25	$13.13
2nd Quarter	18.13	13.00	15.38	10.63
3rd Quarter	17.00	8.00	13.88	6.63
4th Quarter	12.13	9.25	10.13	7.75
1980				
1st Quarter	$11.67	$ 6.50	$10.25	$ 5.21
2nd Quarter	14.08	7.71	12.25	6.42
3rd Quarter	15.42	12.42	13.58	10.71
4th Quarter	27.50	14.13	23.38	12.13

The figures quoted have been adjusted to give effect to a three-for-one stock split ion October 1980.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders will be held at 2:00 p.m. on May 17, 1982 at the Westin Hotel, Calgary.

Front Cover

Drilling discovery well on East Cameron Block 65 in the Gulf of Mexico.

NOTE:

Copies of the Company's Form 10-K as filed with the Securities and Exchange Commission are available upon written request free of charge to all shareholders of record and beneficial owners of shares. Any such request should be addressed to the Corporate Secretary of the Company at its head office.

1981 Highlights

FINANCIAL HIGHLIGHTS (thousands of U.S. dollars)

	1981	1980
Revenue	**$200,808**	$140,776
Cash Flow	**$154,405**	$108,526
Net Earnings	**$ 16,979**	$ 25,501
Capital Expenditures	**$107,519**	$ 57,150
Long-term Debt	**$112,256**	$118,414
Common Shares Outstanding (thousands)	**60,243**	60,090
Per Share — Cash Flow	**$ 2.57**	$ 1.81
— Net Earnings	**$ .28**	$ .43

OPERATIONAL HIGHLIGHTS

Gross Daily Production		
Crude Oil and Natural Gas Liquids (barrels)		
Canada	**1,086**	1,159
United States	**176**	73
United Kingdom	**18,021**	12,000
TOTAL	**19,283**	13,232
Natural Gas (thousands of cubic feet — Mcf)		
Canada	**15,803**	11,608
United States	**1,859**	2,554
TOTAL	**17,662**	14,162
Gross Proved Reserves At December 31		
Crude Oil and Natural Gas Liquids (millions of barrels)		
North Sea	**50.7**	60.1
North America	**4.4**	4.5
Natural Gas (billions of cubic feet)		
North America	**138.6**	111.3

CONTENTS

	Page
Chairman's Report	2
Production	4
Reserves	5
Acreage	6
International Operations	7
North American Operations	12
Drilling Division	18
Financial Review	19
Financial Statements	21
Supplementary Financial Information	34
Five Year Review	39

Chairman's Report

The past year has been a combination of exploration success and political uncertainty for the Company. The expansion of the Company's international exploration programs combined with the continued improvement in the Company's financial position made 1981 the most active year in its thirty-one year history. The uncertainties of the world's economic conditions combined with the implementation of new taxation policies in Canada and the United Kingdom have however had a negative impact on the oil and gas industry.

Gross revenues before government royalties reached $315.5 million in 1981, an 84% increase over the previous year. Government royalties, taxes and in particular, the new Supplementary Petroleum Duty enacted in the United Kingdom amounted to $183.6 million representing 58% of gross revenue. Earnings before income taxes increased 37% to $105.8 million including $23 million received from the sale of 1.4 million barrels of make up oil from the retroactive redetermination of the Company's Ninian unit interest. The impact on earnings of these significant tax changes in Canada and the United Kingdom resulted in a decrease in net earnings to $17 million from $25.5 million, or $.28 from $.43 per share.

Funds generated from operations increased 42% to $154.4 million from $108.5 million in 1980. Capital expenditures increased during 1981 to a record $107.5 million reflecting the expansion of the Company's international activities, including the payment of $37.2 million resulting from the upward redetermination of the Company's interest in the Ninian field.

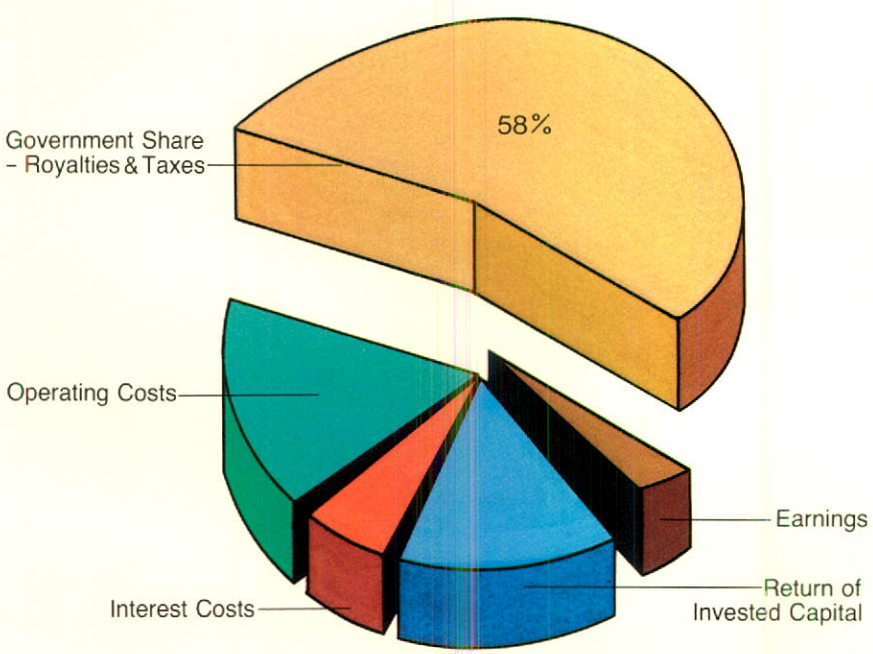
The accompanying graph reflects the sharing of gross revenues between the Company and, collectively, various governments. Under the existing taxation policies in Canada and the United Kingdom, approximately 36% is retained by the Company to defray operating costs, interest on debt and the return of invested risk capital. Of the balance, approximately 58% (of the gross), is paid or payable to governments in the form of various royalties and taxes, leaving approximately 6% of the gross available to the Company in the form of earnings. This sharing of profits from risk ventures after cost recoveries results in a profit sharing ratio of approximately 9:1 between governments and the Company on risk capital invested by the Company.

It is Management's belief that the greatest incentive that governments can provide to the oil and gas industry to assist in furthering their stated aims of energy self-sufficiency, creation of jobs in other sectors of the economy, involvement of local companies and a continuing source of revenues for the public purse, is to allow the industry and its shareholders a fair return on its investments.

The Company's interest in the Ninian field is now 6.1783% as a result of the unit interest redetermination effective January 1, 1981. Production from the field during the year averaged 292,000 barrels per day, bringing the total cumulative production to 249 million barrels. Current production is averaging 300,000 to 310,000 barrels per day and it is expected that this level will be maintained throughout 1982. Prices for the Company's crude oil averaged $36.97 per barrel during 1981, up slightly from the 1980 average of $35.19. Crude prices have declined during 1982 however, and in March, the price of Ninian crude was $30.60. Continuing pressures on world crude prices are expected throughout 1982 in view of the current crude over supply situation and the world economic situation.

In the Columba field, south of the main Ninian oil field, the Company completed a successful appraisal well 3/8a-7. However, further development

REVENUE DISTRIBUTION



of this field and the Company's other licences in the U.K. sector of the North Sea are under review in light of the changed and adverse taxation policies of the U.K. Government.

During 1981, the Company continued its program of international exploration diversification with expanded programs in the United States and Australia. In the United States, the Company acquired, at a cost of $15 million, interests in eleven offshore blocks in the Gulf of Mexico. Drilling activities to date on these blocks have resulted in a gas condensate discovery on the East Cameron Block 65, which is currently being evaluated by a second well. The Company expects to participate in up to nine offshore wells in the Gulf Coast area during 1982.

In Australia, the Company has increased its land holdings with its 18.5% participation in a successful bidding group that was awarded Permit WA 192P offshore Western Australia in December 1981. This permit covers 2.9 million acres and will be the focal point of a fourteen well exploration program over the next three years, beginning with the drilling of three wells in the second half of 1982. The initial seismic program has been completed on the Company's onshore permit covering four million acres in the Canning Basin. A continuation of the seismic program is planned for 1982 with drilling activities anticipated in 1983.

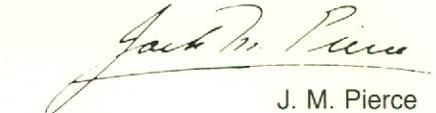
In late 1978, the Company took the initial steps towards exploration involvement in one of the world's largest unexplored continental shelf areas, offshore the People's Republic of China. From this early work, an international exploration consortium was formed, headed by BP Petroleum Development Limited. Other members are Broken Hill Proprietary Company Limited, Petrobras International S.A.—Braspetro, and Petro-Canada Exploration Inc. The government of the People's Republic of China has now initiated the first step in the application process of exploration licences which is expected to be completed by early 1983.

In July the Company entered into an agreement with a Hong Kong based corporation, Canadian & Oriental Oil Limited, whereby that company will share in the exploration and development of the North American oil and gas properties purchased by Ranger in the March, 1981 Kissinger acquisition. In addition, Canadian & Oriental Oil Limited will participate with Ranger in new oil and gas exploration and development activities in North America and elsewhere in the world. Canadian & Oriental Oil Limited is a newly formed public company which raised $75 million (U.S.) from an initial share issue placed in Southeast Asia and Europe. Ranger owns approximately 10% of its outstanding shares. The arrangement with Canadian & Oriental Oil Limited provided the Company with an immediate cash payment of approximately $28 million (U.S.) which was utilized to reduce North American bank indebtedness. The balance of the subscription funds will be invested in Company operated exploration programs, mainly in North America.

Onshore the United States and in Canada, the Company expanded its exploration program during 1981 with the acquisition of Kissinger Petroleum Corporation and with other exploration prospects. In Canada, the Company participated in drilling 66 wells resulting in four oil wells, 37 gas wells and 14 wells cased for further evaluation. The United States' exploration program was concentrated primarily in the Williston Basin area of North Dakota and involved participation in drilling 36 wells of which 14 were completed as oil wells and four completed as gas wells. The results of this program will be reflected in the Company's production revenue during 1982 as field development programs are completed. In 1982, it is the Company's intention to concentrate its efforts on fully developing its North American proven properties. In Canada the Company has gas contracts for 90% of its new developed natural gas reserves.

Future development prospects for the Company's 20,000 acres of coal permits in northeastern British Columbia were enhanced during 1981 with the announcement by the Canadian and British Columbia governments of plans to construct the necessary rail and port facilities to handle coal shipments from the area. Several mining operations are in various stages of development by other companies in the same area and the long-term potential of the Canadian coal mining industry is encouraging.

The Company intends to accelerate its program of debt retirement in 1982 with the objective of eliminating all bank debt by year-end. This debt reduction program, together with further development of the Company's existing oil and gas reserves, will ensure that the Company is well positioned to continue its balanced program of domestic and international exploration.



J. M. Pierce
Chairman

March 22, 1982

Production

Daily gross production and the net proceeds after royalties therefrom for 1981 are as follows:

United Kingdom — Crude Oil

Ranger's share of gross oil production from the Ninian field averaged 18,021 barrels per day. In addition to the normal production, the Company received a retroactive oil adjustment of 1.4 million barrels under the terms of the Ninian Unitization Agreement. The Company received $241 million (U.S.) for its entitlement of 8.0 million barrels which were sold at an average price of $36.97 (U.S.) per barrel.

Effective March 1, 1982 the price is $30.60 (U.S.) per barrel.

Canada — Crude Oil

Production of crude oil and natural gas liquids (NGL) averaged 1,086 barrels per day. Revenue from sales totalled $3.3 million (U.S.). Production of oil and NGL was below that of 1980 due to temporary cutbacks in production imposed by the Alberta government.

The current wellhead price is $23.50 (Cdn.) per barrel.

Canada — Natural Gas

Production of natural gas averaged 15,803 thousand cubic feet (Mcf) per day. Revenue from gas sales totalled $7.3 million (U.S.), an increase of 24% compared to 1980.

The current wellhead price is approximately $2.62 (Cdn.) per Mcf.

United States — Crude Oil

Production of crude oil and NGL averaged 176 barrels per day. Revenue from sales totalled $1.4 million (U.S.), an increase of 220% over 1980.

The wellhead price received by the Company varied between $27.98 (U.S.) and $39.56 (U.S.) for an average of $36.90 (U.S.) per barrel.

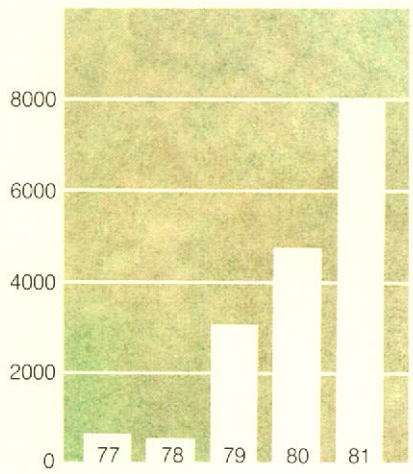
The current wellhead price is $32.00 (U.S.) per barrel.

United States — Natural Gas

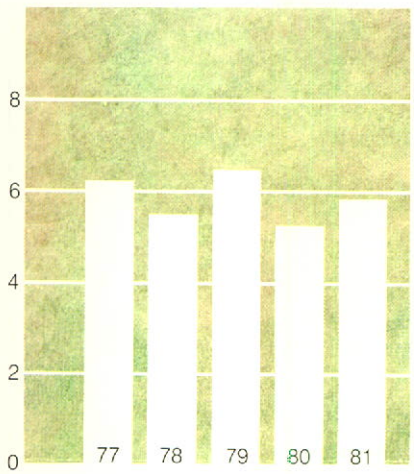
Production of gas averaged 1,859 Mcf per day. Revenue from sales totalled $1.2 million (U.S.), a decrease of 8% compared to 1980.

The current wellhead price is $2.95 (U.S.) per Mcf.

Oil Production - before Royalty
(Thousands of barrels)



Gas Production - before Royalty
(Billions of cubic feet)



Reserves

NORTH SEA — NINIAN OIL FIELD

Based on a January 29, 1982 reserve study by DeGolyer and MacNaughton, independent Petroleum Consultants, estimated remaining gross proved reserves of crude oil and natural gas liquids as at December 31, 1981 are as follows:

	Thousands of barrels
Crude Oil	
Total Remaining Oil Recoverable	787,623
Ranger's 6.1783% Interest (1)	48,662
Natural Gas Liquids	
NGL's Recoverable	32,845
Ranger's 6.1783% Interest (1)	2,029
Total Oil & NGL's — Ranger 6.1783% Interest	50,691

North Sea oil and gas reserves outside of the Ninian Oil Field are not included in the above figures. This applies specifically to the discoveries on blocks 3/8 and 23/27, and the block 48/18b gas discovery.

(1) Unit agreement percentage following first redetermination of interest.

NORTH AMERICA

The reserve estimates for Canada have been prepared by Company engineers. The reserve estimates for the United States have been prepared by Keplinger and Associates, Inc. and by S & W Petroleum Consultants, Inc.

The Company's share of estimated proved reserves before royalty as at December 31, 1981 are as follows:

Canada	
Crude Oil and Natural Gas Liquids (thousands of barrels)	3,794
Natural Gas (millions of cubic feet)	132,080
United States	
Crude Oil and Natural Gas Liquids (thousands of barrels)	581
Natural Gas (millions of cubic feet)	6,502
CORPORATE TOTAL	
Crude Oil and Natural Gas Liquids (thousands of barrels)	55,066
Natural Gas (millions of cubic feet)	138,582

World-wide Acreage Holdings

as at December 31, 1981

	Geographical Area	Nature of Interest	Block Numbers	Gross Acres	Net Acres
(a)	Oil and Gas **Developed** Acreage				
	Canada				
	Alberta	Leases		280,618	87,143
	British Columbia	Leases		14,170	2,635
	Saskatchewan	Leases		1,200	680
				295,988	90,458
	United States				
	Colorado	Leases		3,318	155
	Louisiana	Leases		1,873	1,245
	Montana	Leases		715	89
	North Dakota	Leases		14,120	1,569
	Texas	Leases		4,959	2,405
	Wyoming	Leases		13,070	1,247
	Other States	Leases		949	303
				39,004	7.013
	United Kingdom — North Sea	Licence P.199	3/8a — Ninian	7,715	1,543
				342,707	99,014
(b)	Oil and Gas **Undeveloped** Acreage				
	Canada				
	Alberta	Leases, reservations and licences		984,805	133,513
	British Columbia	Leases		38,733	9,010
	Saskatchewan			86,583	11,093
				1,110,121	153,616
	United States				
	Colorado	Leases		53,813	7,448
	Louisiana	Leases		48,295	4,576
	Montana	Leases		80,525	19,600
	North Dakota	Leases		585,009	82,285
	South Dakota	Leases		14,143	5,748
	Texas	Leases		22,002	6,173
	Wyoming	Leases		19,702	3,436
	Other States	Leases		15,224	5,138
				838,713	134,404
		Licence Number			
	United Kingdom — North Sea	P-114 (1)	22/27a	41,711	16,685
			23/27	49,273	19,709
		P-128 (1)	48/18b	16,754	3,854
			48/19b	19,818	4,558
		P-229 (1)	3/30a	38,302	7,660
			4/21	2,298	460
			4/26	10,329	2,066
		P-199 (1)	3/8a	17,317	3,463
		P-329 (2)	3/8b	12,516	2,503
		P-396 (1)	209/4	24,118	3,859
				232,436	64,817
	Guyana			1,730,000	242,200
	Australia	E.P. 216		3,950,838	2,212,469
		W.A. 192-P		2,886,420	490,691
				6,837,258	2,703,160
				10,748,528	3,298,197
(c)	Coal Exploration Acreage				
	Canada				
	British Columbia	Licences		17,586	12,311

(1) At the end of the initial six-year term, 50% of the acreage reverts to the Crown. The above table gives effect to the required relinquishment.

(2) No relinquishment required.

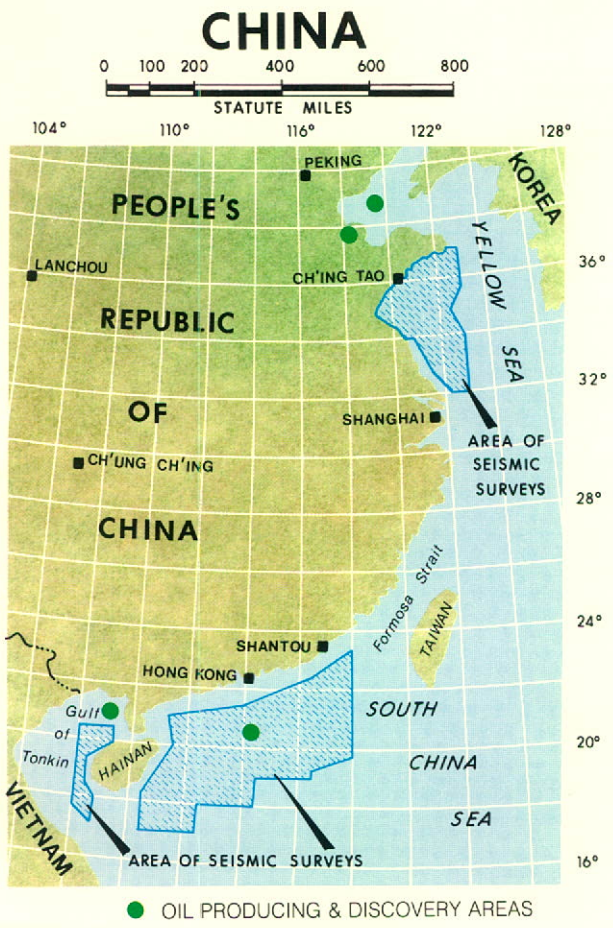
International Operations

China

Ranger is a member of a consortium exploring offshore China headed by BP Petroleum Development Limited as operator. Other members are Broken Hill Proprietary Company Limited, Petrobras International S.A. — Braspetro and Petro-Canada Exploration Inc.

This group has responded to an invitation from the government of the People's Republic of China to apply for licences to explore for oil and gas in several offshore areas.

The group has completed interpretation of more than 56,000 line miles of offshore seismic data. These surveys covered approximately 155,000 square miles of the Chinese continental shelf.



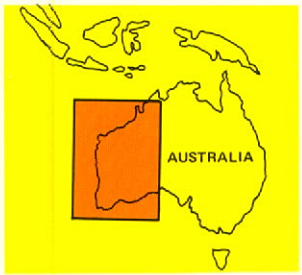
Guyana

The Company holds a 14% interest in a 1.7 million acre concession covering the entire Takutu Basin of interior Guyana.

A seismic survey of 470 miles was completed during 1981 detailing those areas where geological structures had been identified by an initial 310 mile survey completed the previous year.

The first deep well ever to be drilled in the concession area was commenced in late October 1981 and abandoned at a total depth of 9,261 feet in mid-January 1982. The rig was subsequently moved to a second location, some 22 miles from the first well. The second well, in which Ranger is not participating, is expected to be completed in mid-April 1982. The Company has retained its 14% interest in the concession.

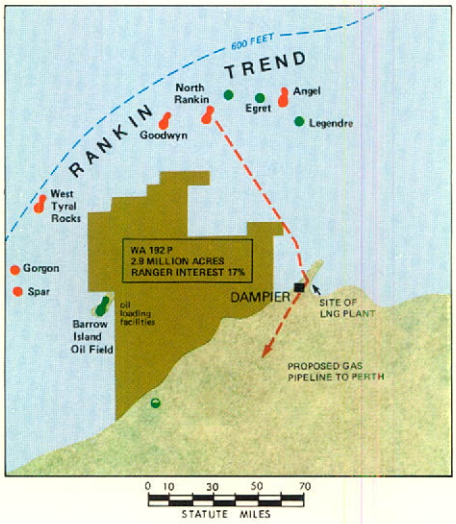
Australia



The Company holds a 56% direct interest in Permit Area EP216 covering approximately 3.9 million acres in the Canning Basin of Western Australia. Ranger has an additional indirect participation of 4.8% through a 20% equity interest in an Australian company, Pontoon Oil & Minerals N.L., which holds a 24% interest in the permit.

During 1981, a seismic program of approximately 850 miles was completed and an additional 850 miles is planned for 1982. The group is committed to drill one well on the permit area in each of the years 1983, 1984 and 1985.

The Company is a member of a consortium with Occidental Pty. Limited as operator. In December 1981, permit WA 192P, located offshore Western Australia was awarded to the group. The Company holds a 17% direct interest in the permit and 1.5% indirect interest through Pontoon Oil & Minerals N.L. which has a 7.5% interest. The permit covers an area of approximately 2.9 million acres lying between the Barrow Island oil field on the west and the coastline in the vicinity of the town of Dampier. The major gas condensate fields of the Rankin trend lie a few miles to the northwest of the permit area. There was intense industry interest in this permit and eleven competitive applications were received by the Western Australian government. Three wells will be drilled in 1982 and an additional five wells are scheduled for 1983. During 1982 a seismic survey of approximately 4,000 miles will also be undertaken.



United Kingdom

NINIAN FIELD

History

The Ninian oil field was discovered in January 1974 by the BP/Ranger 3/8-1 well and development of the field commenced in 1976 following the drilling of eight exploration and appraisal wells. Three platforms were utilized in the development of the field and production commenced on December 23, 1978 from the first well drilled from the Southern Platform.

Development

During 1981, 20 wells were completed to produce oil from the field and 13 wells were drilled to inject sea water into the reservoir as part of the water injection pressure maintenance plan to enhance recovery. A further well was injecting surplus gas liquids into the reservoir as a gas conservation measure pending the commissioning of liquefied petroleum gas recovery and marketing facilities at the Sullom Voe Terminal in 1982. Seventy-seven development and injection wells have now been completed out of a planned 96 wells. At year end, approximately 440,000 barrels of sea water per day were being injected.

The offshore producing facilities did not require any expansion during the year. Installation of equipment was essentially completed during 1980 and 1981 saw only the final hook-up of this equipment. All three platforms operated smoothly and without interruption during the year.

A cumulative total of 249 million barrels of oil had been produced from the field by the end of 1981, and the rate of production at year-end was approximately 308,000 barrels daily. The Company's share of oil entitlement during 1981 was 8.0 million barrels which were sold at an average price of $36.97 (U.S.) per barrel. Included in this volume was 1.4 million barrels of oil which was assigned to Ranger to reflect Ranger's increase in unit equity from 5.192% to 6.1783%. This was a result of the Ninian unit's equity redetermination. Final determination of equity interests is to occur by 1984.

Ninian Pipeline

Operation of the 36″ main oil line from the Ninian Central Platform to the Sullom Voe terminal continued under normal conditions. The annual survey showed no change from the survey of the previous year and the condition of the line was satisfactory in every respect.

The 36″ line currently carries crude from the Ninian and Heather fields. The crude from the Magnus field will be added when that field begins production, probably in 1984. In addition, two other field groups have expressed interest in shipping crude through the Ninian pipeline and negotiations with them are in progress.

Sullom Voe Terminal

Construction of the terminal facilities is essentially complete. Approximately 700,000 bopd from the Ninian and Brent pipelines systems were processed with ample capacity to handle additional production from adjoining fields. Operations have been conducted efficiently during the year and storage with all sixteen of the programmed tanks in operation has been more than adequate.

Columba Field (South Ninian)

During 1981, the Company participated in Well 3/8a-7 as part of its continuing program of appraising the Columba structures, lying immediately to the south of the Ninian field. The BP/Ranger group — Ranger interest 20% — drilled the 3/8-3 discovery well in 1975 and two highly successful appraisal wells, 3/8a-5A and 3/8a-6A, in 1980. Well 3/8a-7 was drilled in the extreme southeast of the Columba structure in order to establish the outer limits of the oil accumulation. Oil was encountered in pre-Cretaceous sands which were evaluated by wireline testing methods. The well was located approximately four miles southeast of the 3/8a-5A oil well and consequently expands the areal extent of known hydrocarbons in the structure.

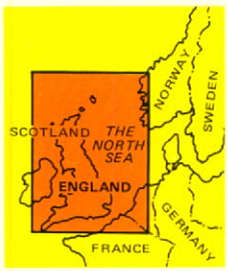
North Sea

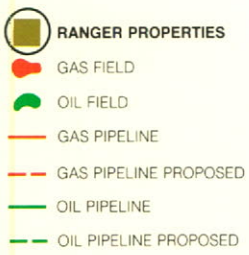
Ranger holds an interest in five other licence areas in addition to licence P199 which contains the Ninian and Columba fields. Ranger acts as operator for three of these: Licence P114 (Blocks 22/27a and 23/27); Licence P128 (Blocks 48/18b and 48/19b) and Licence P229 (Blocks 3/30a, 4/21 and 4/26). Ranger's interest in these licences is, respectively, 40%, 23% and 20%.

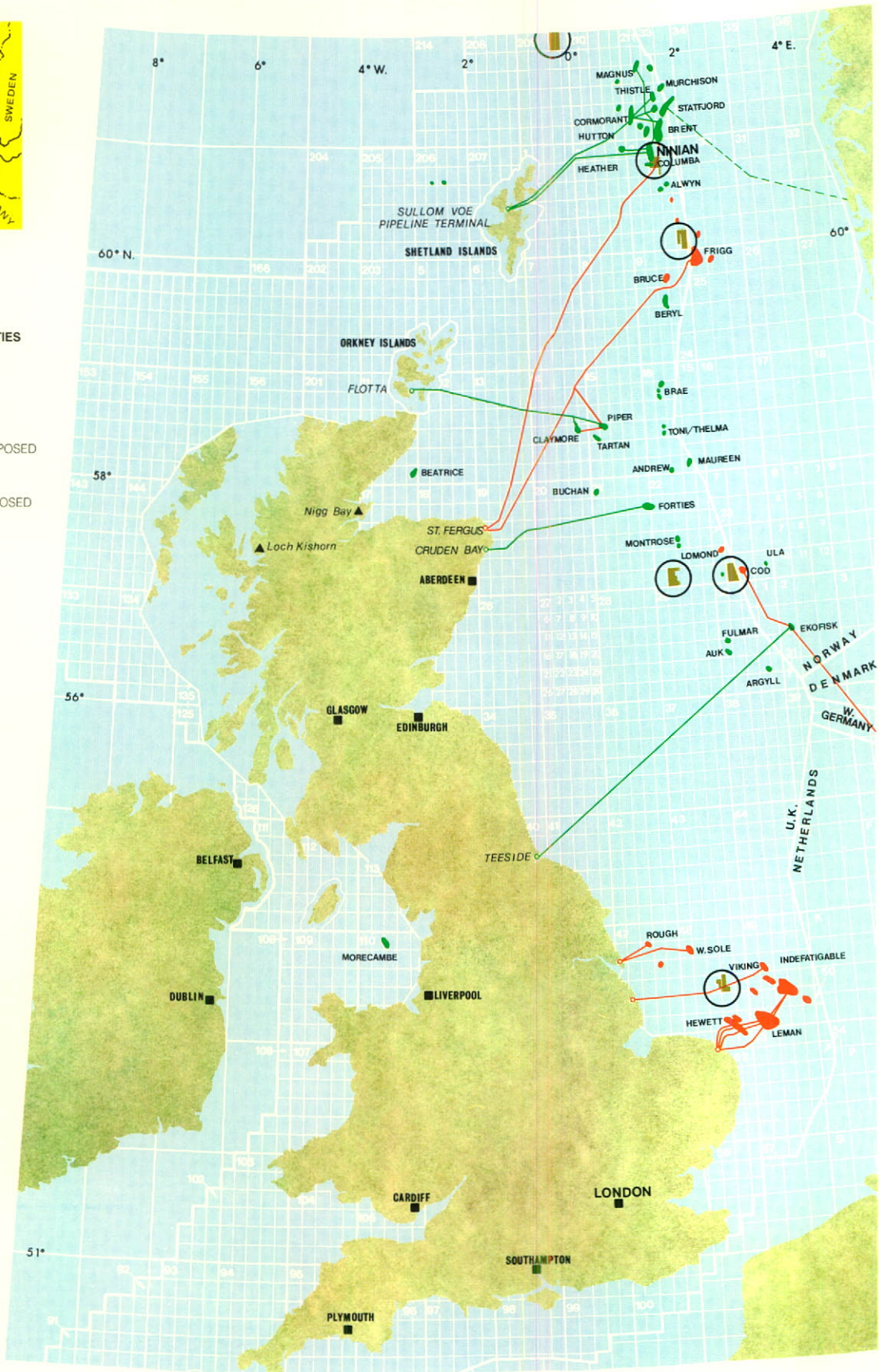
The Company also holds a 20% interest in Licence P329 (Block 3/8b), adjacent to the Ninian field, and a 16% interest in Licence P396 (Block 209/4), north of the Shetland Islands. Both of these licences were acquired in the U.K. Seventh Round of licensing awards in December 1980.

Extensive seismic surveys were undertaken over all five licences during 1981 and the resultant data are being interpreted with the object of re-evaluating the licences. Discovery wells have previously been drilled on Block 23/27 (Paleocene oil) and Block 48/18b (Permian gas).

North Sea

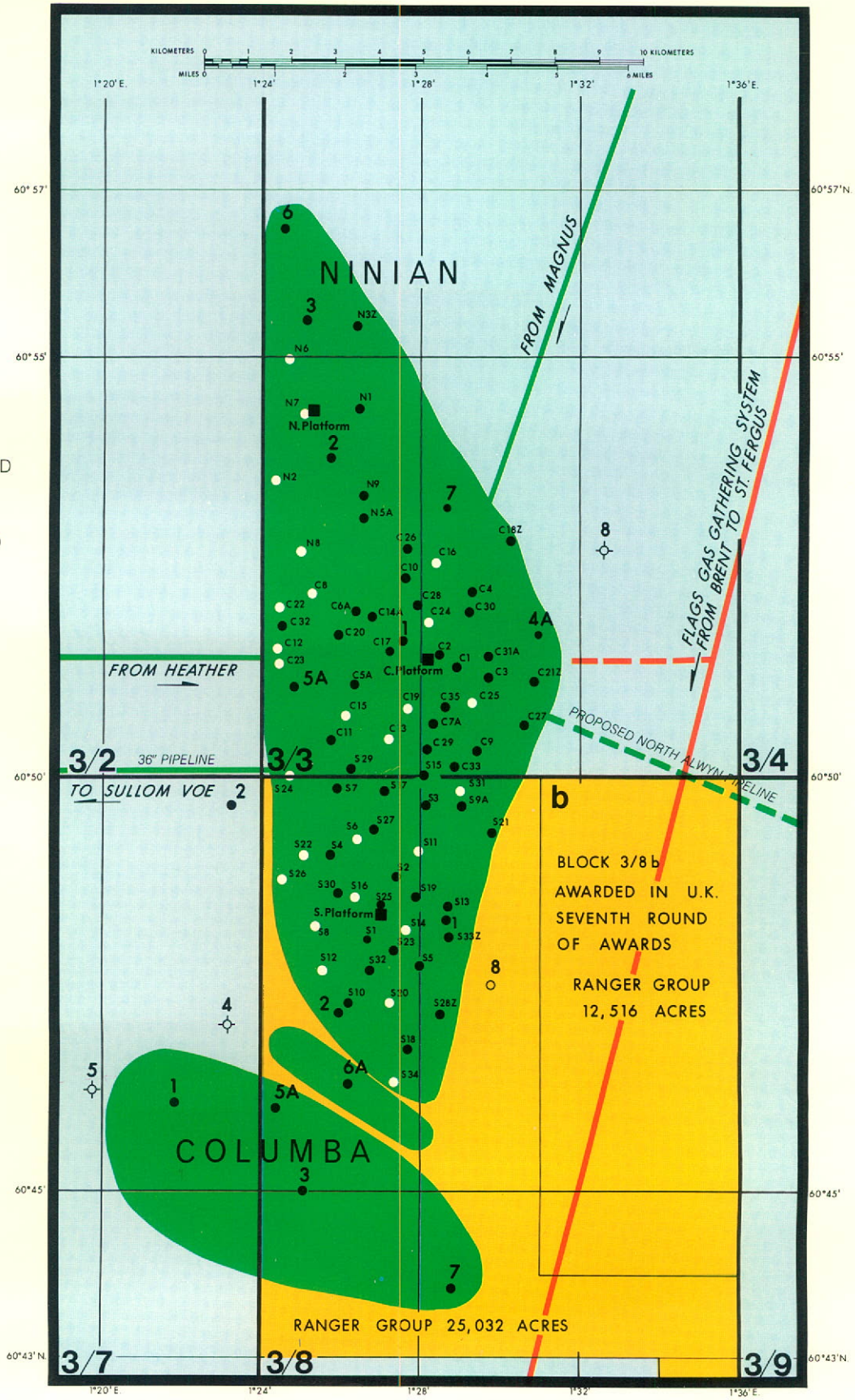

SCOTLAND
THE NORTH SEA
ENGLAND
NORWAY
SWEDEN
GERMANY
FRANCE


RANGER PROPERTIES
GAS FIELD
OIL FIELD
GAS PIPELINE
GAS PIPELINE PROPOSED
OIL PIPELINE
OIL PIPELINE PROPOSED


8°
6°
4° W.
2°
0°
2°
4° E.
60° N.
60°
58°
56°
51°
MAGNUS
THISTLE
MURCHISON
STATFJORD
CORMORANT
HUTTON
BRENT
NINIAN
COLUMBA
HEATHER
ALWYN
SULLOM VOE PIPELINE TERMINAL
SHETLAND ISLANDS
FRIGG
BRUCE
BERYL
ORKNEY ISLANDS
FLOTTA
BRAE
PIPER
CLAYMORE
TARTAN
TONI/THELMA
ANDREW
MAUREEN
BEATRICE
BUCHAN
FORTIES
Nigg Bay
Loch Kishorn
ST. FERGUS
CRUDEN BAY
ABERDEEN
MONTROSE
LOMOND
ULA
COD
EKOFISK
FULMAR
AUK
ARGYLL
NORWAY
DENMARK
W. GERMANY
U.K.
NETHERLANDS
GLASGOW
EDINBURGH
TEESIDE
BELFAST
ROUGH
W.SOLE
VIKING
INDEFATIGABLE
HEWETT
LEMAN
MORECAMBE
DUBLIN
LIVERPOOL
CARDIFF
LONDON
SOUTHAMPTON
PLYMOUTH

Ninian Field and Vicinity

RANGER PROPERTIES
GAS FIELD
OIL FIELD
GAS PIPELINE
GAS PIPELINE PROPOSED
OIL PIPELINE
OIL PIPELINE PROPOSED
LOCATION/DRILLING
OIL WELL
ABANDONED WELL
INJECTION WELL
6A● EXPLORATION WELLS
S10● DEVELOPMENT WELLS



North American Operations

Drilling Activity

The Company participated in the drilling of 102 exploratory and development wells in North America in 1981 as follows:

	Oil Wells	Gas Wells	Cased Wells	Dry	Total
Canada					
Exploratory	3	17	11	5	36
Development	1	20	3	6	30
U.S.A.					
Exploratory	9	3	—	16	28
Development	5	1	—	2	8
Total					
Exploratory	12	20	11	21	64
Development	6	21	3	8	38
Net Wells					
Exploratory	1.58	5.79	2.17	3.72	13.26
Development	.66	8.53	1.25	3.86	14.30

In addition Ranger has varying royalty interests in three wells drilled and completed by others in 1981.

CANADA

Exploration

Exploration during 1981 focused on new prospects, principally in the deeper, oil-prone and conventional gas areas of Central Alberta where Ranger has been historically successful for three decades. Thirty-six exploration wells were drilled with several areas indicating encouragement. This activity has identified prospects capable of containing 1.4 million barrels of oil and 160 billion cubic feet of natural gas. The Company plans to exploit these reserves in early 1982.

Land activity reached a high point in 1981 with the acquisition of 30,000 net acres of prospective Alberta Crown Land on specific leases. The average price of acquisition was $157 (Cdn.) per acre. This level of activity gave Ranger an industry ranking of 28th in land expenditures in the Province of Alberta.

Seismic work showed an increased activity level over previous years, reflecting the effort to develop new prospects and to evaluate Ranger's expanding exploratory land inventory. By year end some 2,360 miles of new seismic had been acquired in support of proposed exploration drilling.

Production Summary:

Daily production during 1981 averaged 1,086 barrels of crude oil and NGL and 15.8 million cubic feet of natural gas. The substantial increase in gas production was a result of the acquisition of the holdings of Kissinger Petroleums Ltd.

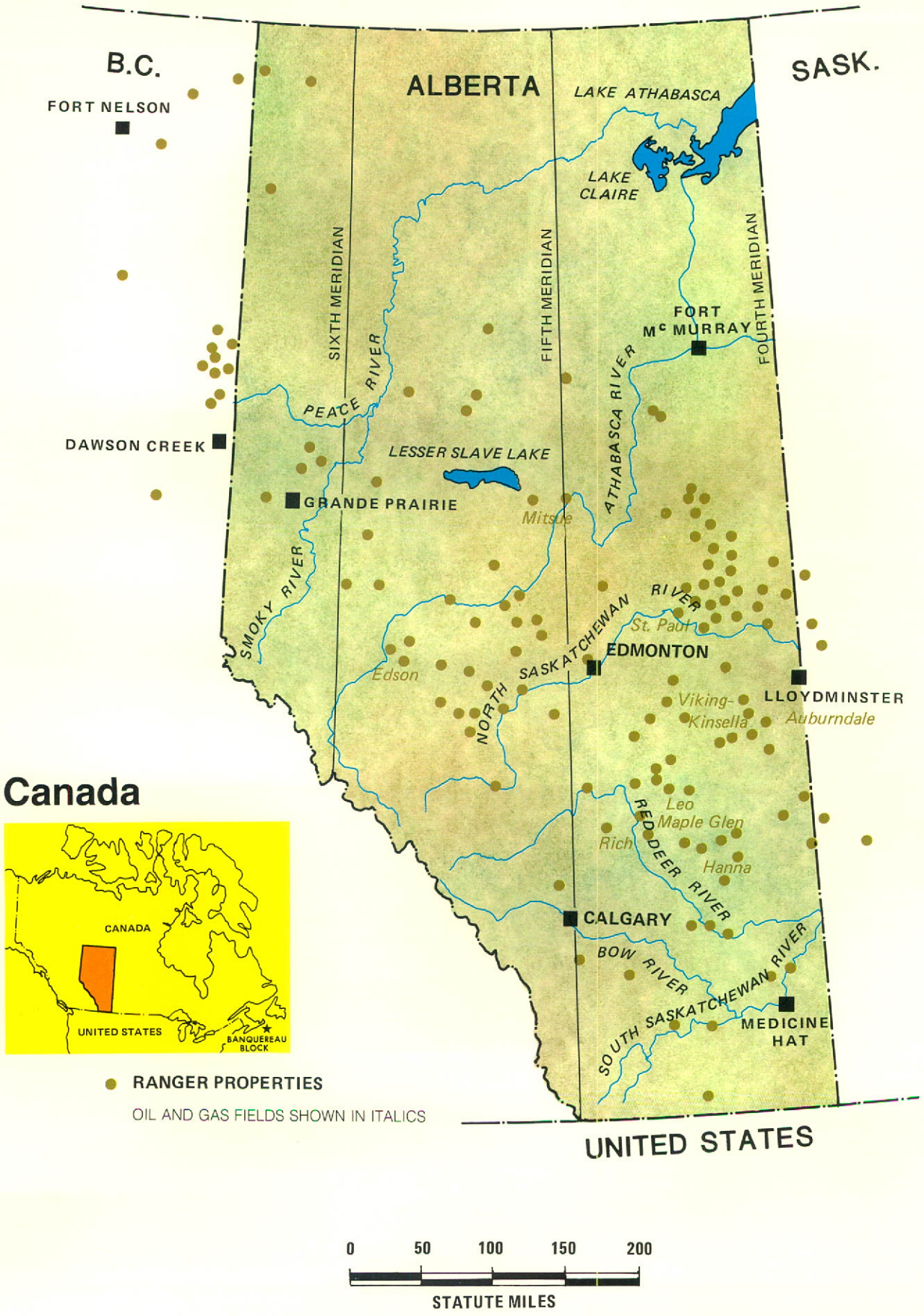
Generally, gas marketing conditions remained slow with only limited potential for new export market development and little increase in Canadian domestic demand. Ranger was able to obtain contracts and commence new gas production in the Leo, Maple Glen and Auburndale areas during 1981 resulting in approximately 800 Mcfd of new production. New contracts for eight areas, anticipated in late 1982, will add 6,000 Mcfd to Company production levels. This will place over 90% of the Company's current natural gas reserves under contract.

Oil and NGL production were below 1980 levels due to the temporary cutbacks in production allocation imposed by the Alberta government.

Although product prices at the wellhead increased during 1981 as the result of Federal-Provincial negotiation, the imposition of two new wellhead taxes by the Federal government coupled with rising costs have offset the otherwise potentially higher netbacks on oil or gas. However, "New Oil" has promise of affording a reasonable return on new exploration expenditures.

Significant areas of production activity in Alberta during 1981 include:

Near Edson in Central Alberta, three new gas wells were drilled in 1981. Two Viking zone gas wells were drilled to increase reserves and pro-


B.C.
ALBERTA
SASK.
FORT NELSON
LAKE ATHABASCA
LAKE CLAIRE
SIXTH MERIDIAN
FIFTH MERIDIAN
FOURTH MERIDIAN
FORT Mc MURRAY
PEACE RIVER
ATHABASCA RIVER
DAWSON CREEK
LESSER SLAVE LAKE
GRANDE PRAIRIE
Mitsue
SMOKY RIVER
NORTH SASKATCHEWAN RIVER
St. Paul
EDMONTON
Edson
LLOYDMINSTER
Viking-Kinsella
Auburndale
Leo
Maple Glen
Rich
Hanna
RED DEER RIVER
CALGARY
BOW RIVER
SOUTH SASKATCHEWAN RIVER
MEDICINE HAT
UNITED STATES
Canada
CANADA
UNITED STATES
BANQUEREAU BLOCK
RANGER PROPERTIES
OIL AND GAS FIELDS SHOWN IN ITALICS
0
50
100
150
200
STATUTE MILES

vide deliverability in the Edson Viking contract area. The third well, at Edson West, tested 3,700 Mcfd in the Triassic zone and is expected to deliver gas under contract late in 1982. The Company's share of this contract will average 3,000 Mcfd and approximately 100 bpd of NGL output. Planning for facility construction is currently in progress.

At Hanna, 10 wells were drilled. Most of these wells are slated to produce under one of three new gas contracts and will result in some 700 Mcfd of additional sales by Ranger. Three of the wells were oil discoveries which have only recently come into production. These three wells will receive "New Oil Reference Price". The Company plans to follow up with further development drilling in 1982.

At St. Paul, 16 wells were drilled on producing lands. Of these, 10 were gas wells, five were cased as potential gas wells, and one was a heavy oil well. Three of the gas wells have been tied in to existing sales contracts while the others are pending new contracts. Testing of the heavy oil well is in progress.

At Rich, two successful gas wells were drilled, both of which have gas contracts in place for sale of production in early 1982. When plant expansion is complete, it is anticipated that the Company's contracted sales from the area will increase by 1,000 Mcfd to 2,300 Mcfd.

UNITED STATES

Exploration & Development

Drilling activity for 1981 in the United States reached a new peak for industry in general and for Ranger in particular. Ranger was involved in the drilling of 50 wells which is a major increase in such activity over prior years. The Company participated in drilling 37 exploratory wells including nine wells either drilling or being completed at year-end. Of the 28 exploratory wells drilled prior to year-end, 12 were completed for a success ratio of 43%. Included among these wells were several new field discoveries. In the development category, Ranger participated in 13 wells of which five wells were either drilling or being completed at year-end. Of the eight development wells drilled prior to year-end, six were completed for a success ratio of 75%.

Ranger's drilling operations in 1981 were conducted principally in the Nesson Anticline area of the Williston Basin, in Louisiana and in the Gulf of Mexico. In the Nesson Anticline area 18 wells were drilled with an overall success ratio of 94%. Nine wells were in progress at the end of the year.(This area is illustrated on the accompanying map).

New field discoveries drilled in 1981 include the Ranger 7-28 Dolan which was completed as a Mississippian limestone discovery flowing 57 bopd; the Ranger 4-30 Tande completed as a Mississippian limestone discovery pumping 91 bopd; the Ranger 13-36 State completed as a Silurian discovery pumping 78 bopd and the Ranger 2-7 Skarderud completed as an Ordovician Red River discovery with an initial flowing potential of 158 bopd. The Ranger Wolan 8-15, 10-15 and 14-15 wells were completed as development wells in the Berg field, pumping a combined total of 142 bopd from the Mississippian limestone. At year-end, the Ranger 1-21 Lee, 14-3 Rice, 6-6 Larmer and 2-36 Carlson were being completed as Mississippian oil producers and four wells were drilling. Ranger's net working interest in the new wells varies from 5% to 25%.

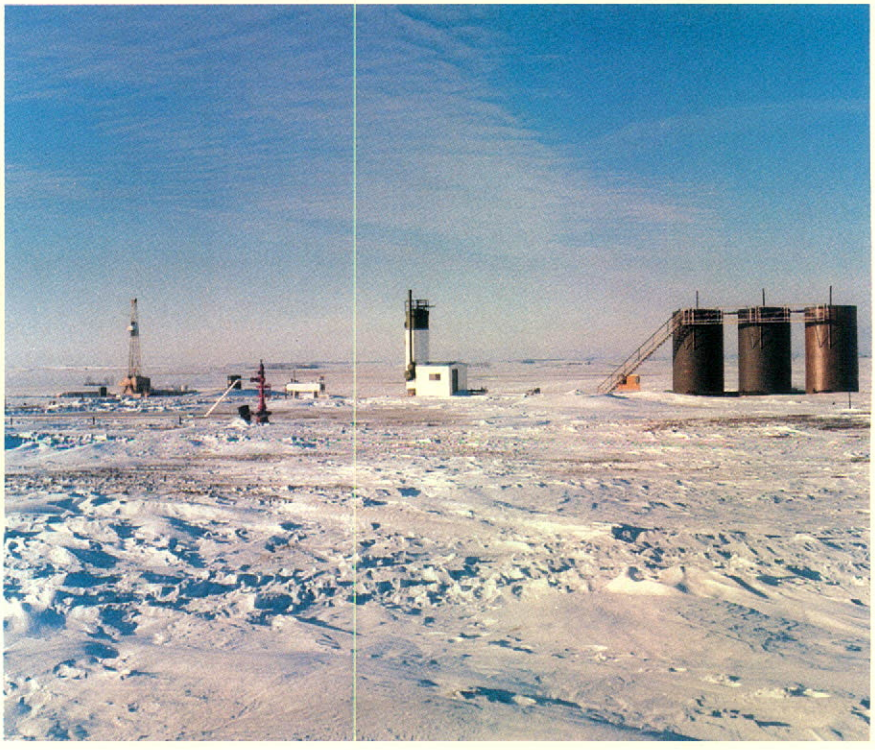
In the Gulf Coast onshore area, the Company participated in drilling four exploratory wells, resulting in a gas discovery in the Kenmore prospect in Pointe Coupee Parish, Louisiana. In addition, the Company completed a successful development well in the Sealy Field in Texas where further development is planned for 1982. Additional development is planned also for the discovery in Pointe Coupee Parish.

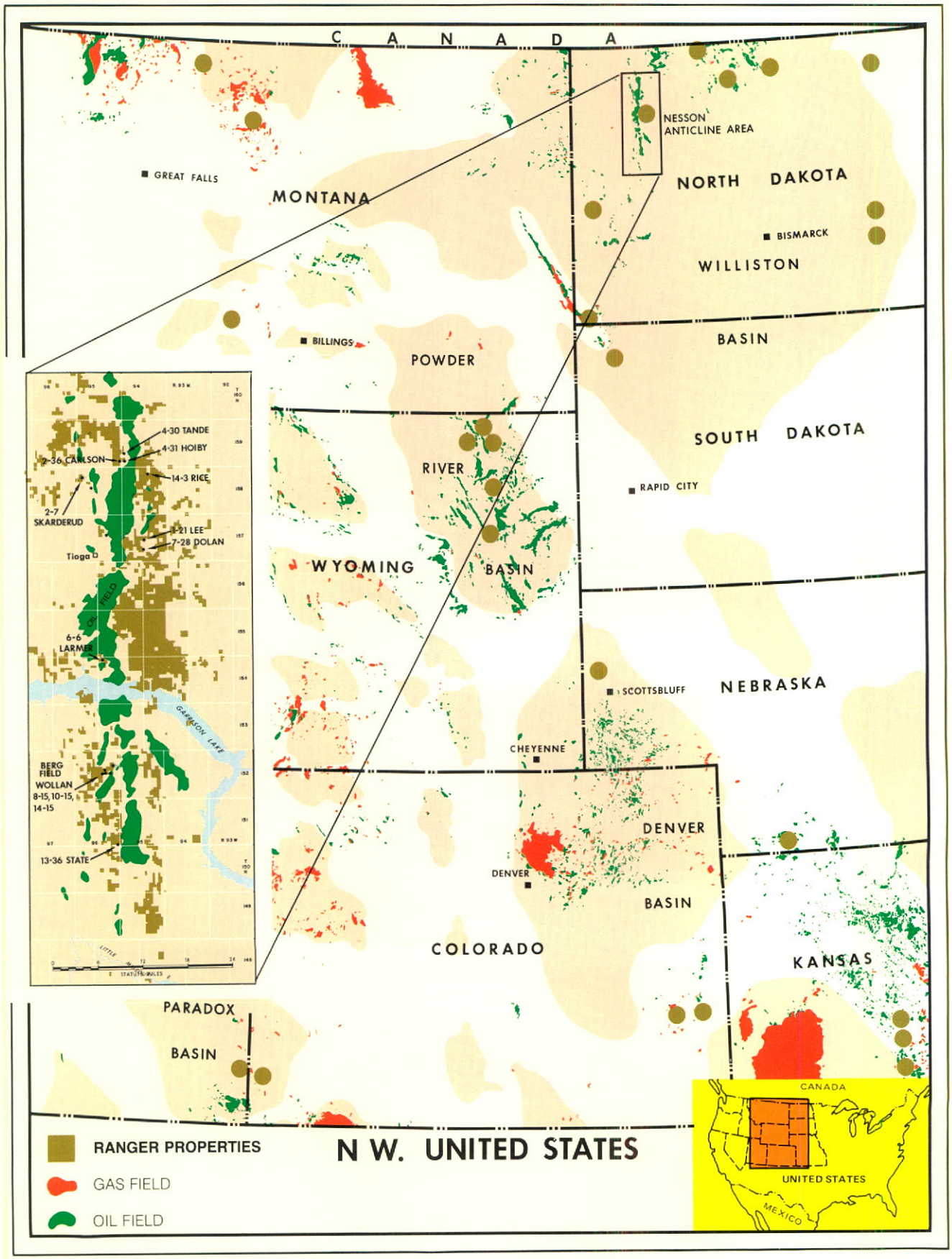
In September 1981, the Company acquired interests varying from 8% to 20% (for an average of 10%) in 11 Federal Lease blocks in the Gulf of Mexico. This acquisition, made at a cost of $15 million (U.S.), contributes 4,950 net acres to Ranger's interest. Nine of the blocks are located off Louisiana and two are off the upper Texas coast. Drilling operations have been conducted on three blocks offshore Louisiana. A test well drilled on East Cameron block 65 has indicated the presence of gas-condensate. A confirmation well is being drilled to further evaluate the reservoir.

Production

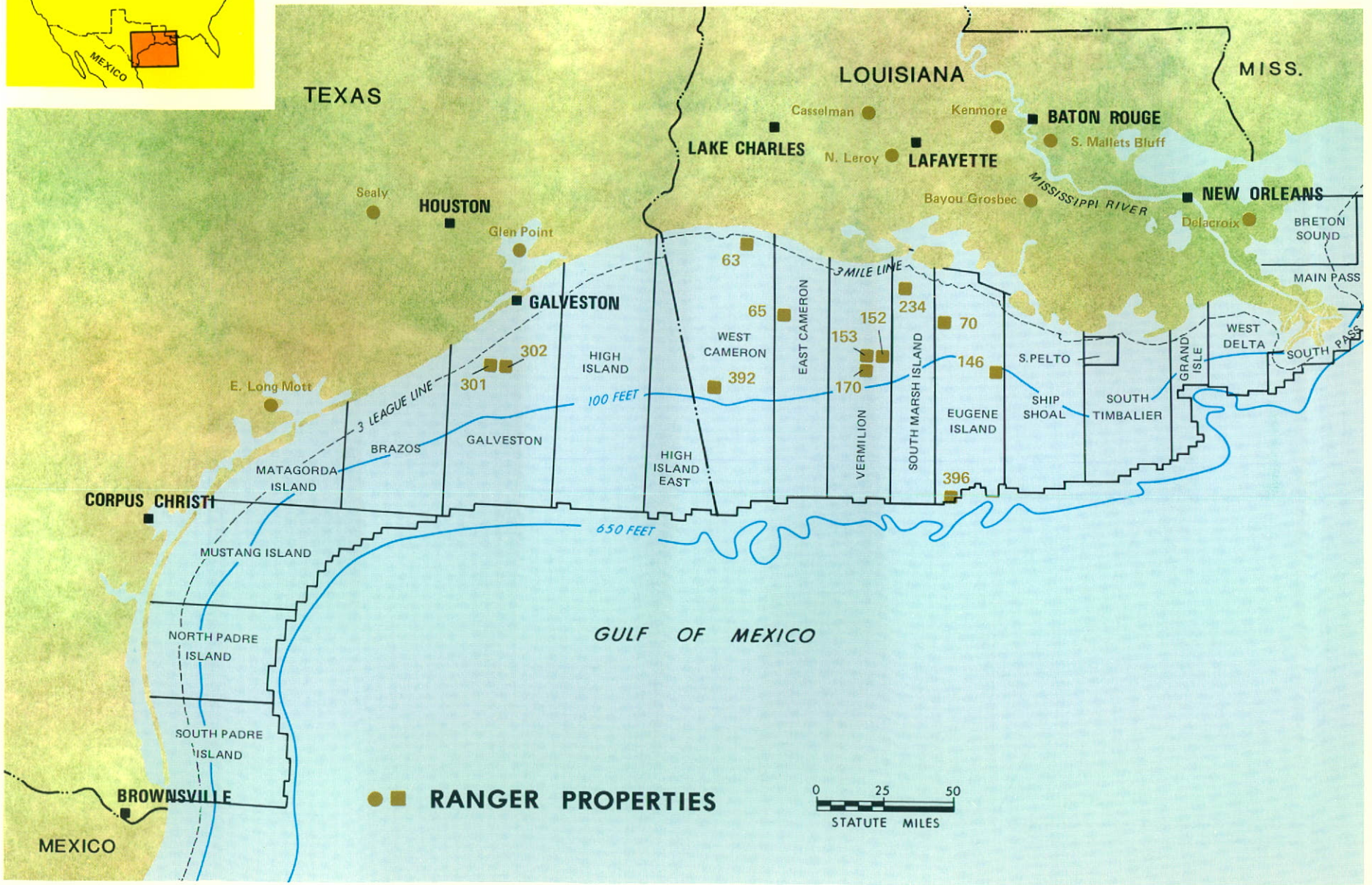
The active drilling program conducted by the Company in the Nesson Anticline area and the success associated with this program resulted in the Company opening a production and operations office in Tioga, North Dakota in late 1981.

At year-end, the Company's net share of production averaged 176 bopd and 1,859 Mcf of gas per day from 206 wells located in nine states encompassing three major producing regions: the Gulf Coast, Mid-Continent and the Rocky Mountain areas. Ranger is the designated operator on most all of these producing properties. Daily production will increase significantly early in 1982 from a number of successful completions being made near year-end.




C A N A D A
NESSON ANTICLINE AREA
GREAT FALLS
MONTANA
NORTH DAKOTA
BISMARCK
WILLISTON
BILLINGS
POWDER
BASIN
SOUTH DAKOTA
RIVER
RAPID CITY
WYOMING
BASIN
4-30 TANDE
4-31 HOIBY
2-36 CARLSON
14-3 RICE
2-7 SKARDERUD
1-21 LEE
7-28 DOLAN
Tioga
OIL FIELD
6-6 LARMER
GARRISON LAKE
BERG FIELD WOLLAN 8-15, 10-15, 14-15
13-36 STATE
SCOTTSBLUFF
NEBRASKA
CHEYENNE
DENVER
DENVER
BASIN
COLORADO
KANSAS
PARADOX
BASIN
RANGER PROPERTIES
GAS FIELD
OIL FIELD
N W. UNITED STATES
CANADA
UNITED STATES
MEXICO

Texas-Louisiana Gulf Coast



Drilling Division

A contract drilling division within the Company was established during 1981. Its principal function is to oversee the operation of rigs owned by the Company or jointly owned with partners.

Trumark Drilling Services

In 1981, a limited partnership was formed between Ranger and Canadian & Oriental Oil Limited, and drilling operations under the name Trumark Drilling Services were established.

Four drilling rigs were owned and operated by Kissinger Petroleum Corporation which was acquired by the Company in March, 1981. Three of those rigs were found to be non-competitive, because of their type and rated capacity, and are being disposed of by sale. The fourth rig, rated at 18,000 feet capacity, is being utilized under the direction of a manager-operator on behalf of Trumark.

Trumark has recently completed arrangements for joint ownership with a third party (who will be the manager-operator), of three new diesel electric rigs with rated capacities of 10,000 feet, 10,000 feet and 16,000 feet, respectively.

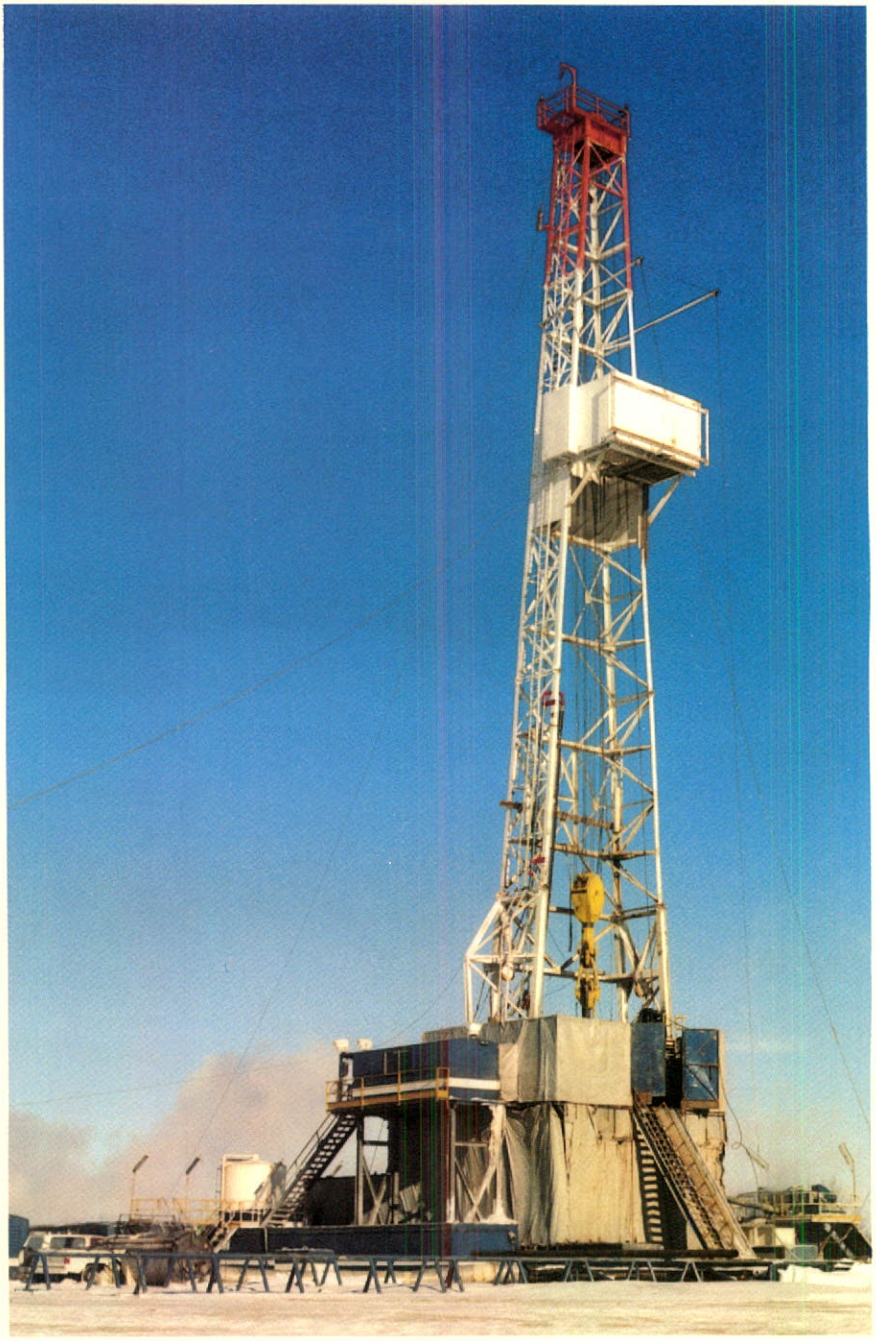
Offshore Drilling

During 1981, the Company and Sedco Inc. formed a joint venture to own and operate a Sedco 700 type, semi-submersible, mobile offshore drilling rig, to be known as the Sedco 714. The Company and Sedco each have a 50% interest in the joint venture.

The drilling rig is to be constructed at an estimated cost of $110 million U.S. and, upon completion (expected in June 1983), will be contracted to the Company for a minimum period of five years. The Company will be free to utilize the Sedco 714 in any geographical area or may negotiate exchange or sub-contract arrangements for its utilization by third parties.

Offshore Supply Boats

An equal-partnership agreement is being negotiated with Smit-Lloyd B.V. of Rotterdam, Holland for the purpose of constructing, owning and operating two 9,500-horsepower anchor handling/supply vessels. Under the terms of the proposed agreement, the vessels will be operated by Smit-Lloyd under a bareboat charter and will be time-chartered to Ranger for an initial five-year period. The boats are to be built in the De Waat shipyards of Holland and to be delivered to coincide with the start of the Sedco 714 operation.



Financial Review and Analysis of Operations
(expressed in U.S. dollars)

Operations

The Company's revenue and funds generated from operations continued to increase throughout the years 1979 to 1981, reflecting both the increased production and higher average prices received for oil production from the Ninian field.

Earnings

Net earnings for 1981 were $17.0 million ($.28 per share) compared to $25.5 million ($.43 per share) for 1980. The decrease in earnings was mainly attributable to two factors; firstly, the imposition of Supplementary Petroleum Duty and changes to the Petroleum Revenue Tax in the United Kingdom, and secondly, higher interest costs.

Revenue

Revenue from oil and gas sales increased by $112.5 million in 1981 compared to 1980, including $42.8 million attributable to the retroactive oil adjustment under the terms of the Ninian Unitization Agreement. However, the increase was partially offset by $57.0 million of Supplementary Petroleum Duty applicable to production from the Ninian field in 1981. Effective January 1, 1981, the Company's share of Ninian production increased to 6.1783% from 5.192%. An additional 1.4 million barrels received during the year was applicable to past production. The average sales price for Ninian oil during 1981 was $36.97 compared with a 1980 average price of $35.19. The current price is $30.60. Revenue from increased production volumes and prices in Canada was offset by increased government taxes related to the National Energy Program introduced in 1980.

Expenses

Total expenses for 1981, excluding income taxes, increased by $31.4 million from 1980. The increase was mainly attributable to the increased production of the Ninian field, the continued expansion of the Company in countries other than the U.K., and interest rates substantially higher than the two prior years. Although long-term debt decreased during 1981, the Company incurred interim debt to finance its increased share of capital costs arising from the redetermination of its interest in the Ninian field and in connection with the acquisition of Kissinger Petroleum Corporation during the early part of 1981.

Income Taxes

The provision for deferred Income and U.K. Petroleum Revenue Taxes increased as a percentage of earnings before tax to 84% in 1981 from 67% in 1980. This was due to modifications to the Petroleum Revenue Tax which will increase the amount of the tax payable in future years and, consequently, increased the 1981 provision.

The Company's U.K. operations were not subject to current corporate tax or Petroleum Revenue Tax during 1981 due to the capital expenditure allowances associated with the development of the Ninian field available for tax purposes exceeding revenues. Current tax provisions for the U.K. operations are expected to be required in 1982, which will reduce funds generated from operations from the 1981 and 1980 levels. The amount of current tax payable in future years will depend somewhat on the level of exploration and development expenditures incurred in 1982 and subsequent years.

Capital Expenditures

Capital expenditures by the Company in 1981 increased to a record level of $107.5 million from $57.2 million in 1980. This increase was attributable mainly to the payment of $37.2 million upon redetermination of the working interest in the Ninian field and increased exploration activities in other countries.

Effective March 20, 1981, the Company acquired Kissinger Petroleum Corporation for a total consideration (net of working capital) of $36.1 million. The assets purchased included both producing and non-producing properties in the United States and Canada.

Effective July 28, 1981, the Company entered into various agreements with Canadian & Oriental Oil Limited (COOL) whereby the two parties will participate in oil and gas exploration, development and drilling ventures. This arrangement allows COOL to farm-in and to participate with the Company on certain onshore U.S. and Canadian lands. COOL is committed to spend $20 million per year for two years on exploration of these lands. The Company's share of capital expenditures on these lands will vary according to the proportion of expenditures incurred in each country.

Financial Position

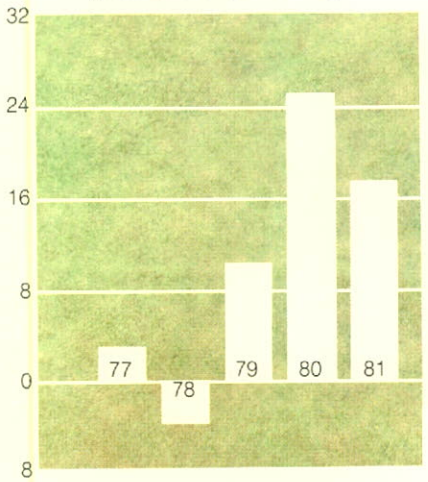
Funds generated from operations in 1981 increased to $154.4 million from $108.5 million in 1980. During each of the three years ended December 31, 1981, funds generated from operations has exceeded capital expenditures and has allowed the Company to reduce its long-term debt. Because of high interest costs and the current worldwide economic uncertainty, the Company's prime objective in 1982 will be to continue to reduce long-term debt. As noted in the "Operations" section of this analysis, current income taxes are expected to become payable in the U.K. during 1982 and will reduce funds generated from operations in future years. On March 9th, 1982, the U.K. government introduced a new Finance Bill which will continue the Supplementary Petroleum Duty for an additional six month period

until December 31st, 1982. This extension, and modifications to the Petroleum Revenue Tax, will result in the future total government effective tax and royalty rate being marginally lower than the 1981 effective rate.

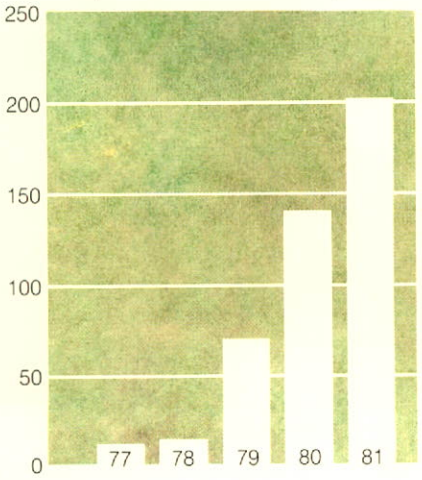
The Company presently has a number of short and long-term ongoing commitments, including the completion of the Ninian field development program, various exploration activities in North America associated with the COOL agreements, the Sedco 714 joint venture (see Note 4 of the financial statements) and work commitments in the U.K. and Australia associated with various exploration licences awarded to the Company. Due to the nature and flexibility inherent in the oil industry, it is difficult to quantify both the magnitude and timing of these commitments. The Company is confident that these commitments can be funded from internally generated cash flow or from alternative capital sources.

The Company presently is not required to provide any inflation adjusted information and does not specifically analyse the impact of inflation upon its financial position or the results of its operations. Inflation impacts upon virtually all revenue, expenses and capital expenditures of the Company but certain market conditions, including foreign currency fluctuations, may cause the effect to vary according to the nature of the amounts.

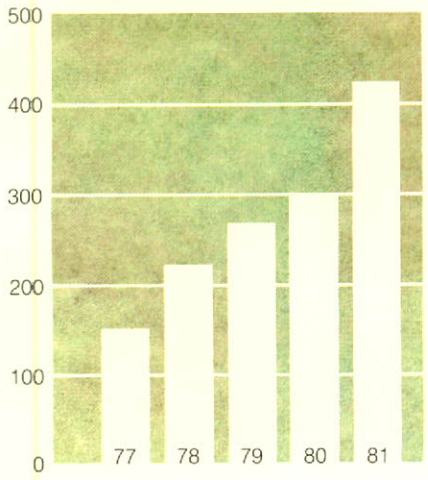
Net Earnings
(in millions of dollars U.S.)



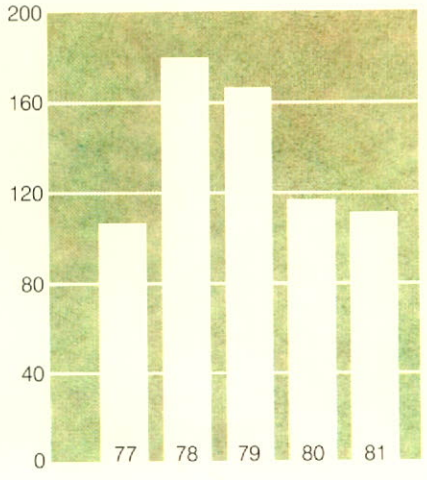
Revenue
(in millions of dollars U.S.)



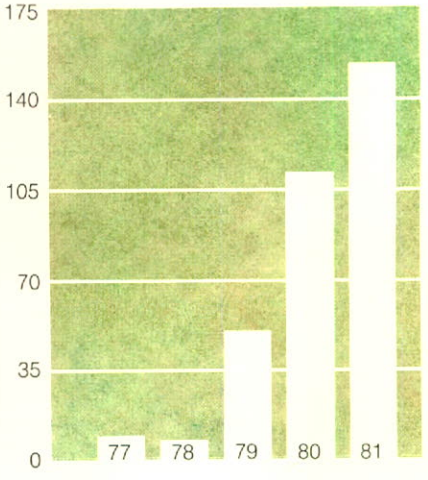
Total Assets - as of December 31
(in millions of dollars U.S.)



Long-Term Debt - as of December 31
(in millions of dollars U.S.)



Cash Flow
(in millions of dollars U.S.)



Ranger Oil Limited

Consolidated Statement of Earnings and Retained Earnings

Three Years Ended December 31, 1981
(expressed in thousands of U.S. dollars)

	1981	1980	1979
Revenue			
Oil and gas sales	**$252,254**	$139,780	$69,158
U.K. Supplementary Petroleum Duty	**57,005**	—	—
	195,249	139,780	69,158
Investment and other income	**5,559**	996	803
	200,808	140,776	69,961
Expenses			
Operating	**18,797**	11,049	6,290
General and administrative	**7,073**	3,774	2,280
Interest (note 1)	**21,503**	17,354	11,189
Depletion and depreciation	**44,315**	25,079	16,542
Write-down of oil and gas and mineral properties	**188**	4,243	323
Provision for future site restoration costs	**3,087**	2,093	2,053
	94,963	63,592	38,677
Earnings before taxes (note 8)	**105,845**	77,184	31,284
Income and U.K. Petroleum Revenue Taxes (note 9)	**88,866**	51,683	20,342
Net Earnings	**16,979**	25,501	10,942
Retained earnings at beginning of year	**42,083**	16,582	5,640
Retained Earnings at End of Year	**$ 59,062**	$ 42,083	$16,582
Net Earnings Per Common Share, based on weighted average number of common shares outstanding	**$.28**	$.43	$.19

Ranger Oil Limited

Consolidated Balance Sheet

as at December 31, 1981 and 1980
(expressed in thousands of U.S. dollars)

ASSETS

	1981	1980
Current Assets		
Cash and short-term deposits	**$ 2,995**	$ 922
Accounts receivable	**41,802**	25,218
Note receivable from affiliated company (note 4)	**8,514**	—
Inventory, at lower of cost and net realizable value	**2,427**	—
	55,738	26,140
Investment in Affiliated Companies (note 4)	**8,246**	—
Property, Plant and Equipment ("full cost" basis — note 5)	**359,681**	273,731
	$423,665	$299,871

LIABILITIES

Current Liabilities		
Bank loan	**$ 8,425**	$ —
Accounts payable	**27,653**	10,211
Current maturities on long-term debt	**—**	8,400
	36,078	18,611
Long-Term Debt (note 6)	**112,256**	118,414
Deferred Gas Revenue	**1,822**	1,447
Provision for Future Site Restoration Costs	**7,233**	4,146
Deferred Taxes	**168,114**	76,655

SHAREHOLDERS' EQUITY

Capital Stock (note 7)		
Authorized		
Preferred and common shares without par value in unlimited number		
Issued		
60,243,012 (1980 — 60,089,792) Common shares	**39,100**	38,515
Retained Earnings	**59,062**	42,083
	98,162	80,598
	$423,665	$299,871

Approved by the Board

E. O. Parry — Director

J. M. Pierce — Director

Ranger Oil Limited

Consolidated Statement of Changes in Financial Position

Three Years Ended December 31, 1981
(expressed in thousands of U.S. dollars)

	1981	1980	1979
Source of Funds			
Net earnings	**$ 16,979**	$ 25,501	$ 10,942
Charges not requiring funds			
Depletion and depreciation	**44,315**	25,079	16,542
Write-down of oil and gas and mineral properties	**188**	4,243	323
Provision for future site restoration costs	**3,087**	2,093	2,053
Deferred taxes	**89,836**	51,610	20,265
Funds generated from operations	**154,405**	108,526	50,125
Sale of property and equipment (note 4)	**33,928**	—	—
Long-term debt	**116,574**	27,204	21,711
Deferred gas revenue	**375**	747	303
Issue of common shares	**585**	605	17,425
	305,867	137,082	89,564
Application of Funds			
Investment in affiliated companies	**8,246**	—	—
Property, plant and equipment	**107,519**	57,150	55,228
Long-term debt	**141,898**	72,777	36,003
Acquisition of Kissinger Petroleum Corporation, net of working capital (note 2)	**36,073**	—	—
	293,736	129,927	91,231
Increase (Decrease) in Working Capital	**12,131**	7,155	(1,667)
Working capital at beginning of year	**7,529**	374	2,041
Working Capital at End of Year	**$ 19,660**	$ 7,529	$ 374

Summary of Changes in Working Capital

Increase (Decrease) in Current Assets			
Cash and short-term deposits	**$ 2,073**	$ (3,272)	$ 1,167
Accounts receivable	**16,584**	7,344	9,340
Note receivable	**8,514**	—	—
Inventory	**2,427**	(529)	(87)
	29,598	3,543	10,420
Decrease (Increase) in Current Liabilities			
Bank loan	**(8,425)**	—	—
Accounts payable	**(17,442)**	7,516	(10,122)
Current maturities on long-term debt	**8,400**	(3,904)	(1,965)
	(17,467)	3,612	(12,087)
Increase (Decrease) in Working Capital	**$ 12,131**	$ 7,155	$(1,667)

Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES

(a) U.S. Dollar Reporting

The majority of the Company's business is transacted in U.S. dollars and, accordingly, the consolidated financial statements are expressed in that currency.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Ranger Oil Limited ("the Company") and its subsidiaries, all of which were wholly-owned as of December 31, 1981.

(c) Investments in Affiliated Companies and Corporate Joint Ventures

The Company accounts for its investments in affiliated companies and corporate joint ventures by the equity method of accounting, under which its investments are recorded at cost and adjusted to include its share of the earnings or losses of those entities.

(d) Joint Ventures

Substantially all the Company's exploration and development activities related to oil and gas are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

(e) Currency Translation

The accounts recorded in other currencies have been translated into U.S. dollars on the following basis:

(i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;

(ii) Property, plant and equipment, at the rate of exchange in effect at the date on which the respective assets were acquired;

(iii) Long-term debt, at the rate of exchange in effect at the date on which the funds were borrowed;

(iv) Revenue and expenses (excluding depletion, depreciation and write-downs of oil and gas and mineral properties which are translated at the same rates as the related assets), at average rates in effect during the year.

Foreign exchange gains arising on translation have been included in earnings.

(f) Oil and Gas Operations

The Company follows the "full cost" method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are capitalized. Such costs, including the costs of production equipment, are accumulated in centres established on a country-by-country basis and depleted using the unit-of-production method based upon the estimated proved oil and gas reserves in each cost centre, or charged to income if exploration in any cost centre is determined to be unsuccessful. The costs of unusually significant investments in unproved properties and major development projects are excluded from the depletion computation until such time as it is determined whether or not proved reserves are attributable to the properties, the project is completed, or impairment in value has occurred.

(g) Capitalization of Interest Costs

The costs of exploring for and developing oil and gas reserves include interest and other financing charges on funds borrowed to finance unusually significant investments in unproved properties and the costs of major developments such as the Ninian Field in the North Sea. Such charges are capitalized (1981—$3,978,000; 1980—$5,156,000; 1979—$10,083,000) and amortized against production revenues on the same basis as other exploration and development costs.

(h) **Site Restoration**

The Company provides for major site restoration costs (such as the removal of offshore production platforms at the end of the producing life of a field) on a unit-of-production basis, based on its share of the estimated future liability for such costs.

(i) **Mineral Exploration**

Costs relating to mineral exploration are capitalized, and will be depleted based upon production from related mineral reserves as and when discovered or charged to income if exploration is determined to be unsuccessful.

(j) **Taxes**

The Company follows the tax allocation method of accounting under which (a) the provision for corporate income taxes is based on the earnings reported in the accounts, and (b) the estimated total liability for U.K. petroleum revenue tax is apportioned to accounting periods on the basis of gross revenues derived from U.K. oil and gas production.

(k) **Depreciation**

Depreciation of aircraft and other equipment has been provided in the accounts at methods and per annum rates (ranging from 2½% to 30%) which are estimated to amortize the cost of the assets less salvage values over their useful lives.

(l) **Oil and Gas Sales**

Revenue from oil and gas sales is net of all royalties, Canadian Petroleum and Gas Revenue Tax, U.S. Windfall Profit Tax and a financing fee of 8% of the Company's share of crude oil production from the Ninian Field.

(m) **Earnings Per Share**

Earnings per common share have been computed by dividing net earnings by the weighted average number of common shares outstanding during the year. In determining the number of common shares used in the computation, no consideration has been given to outstanding stock options or shares to be issued under the Company's stock bonus plan, which, although considered to be common share equivalents under United States accounting principles, would not have a material effect on the calculation of earnings per common share as reported.

2. BUSINESS COMBINATIONS

During 1981, the Company acquired all the issued and outstanding shares of Kissinger Petroleum Corporation ("Kissinger"), a privately-held Colorado corporation engaged in oil and gas exploration and production activities and drilling operations in the United States and Canada, for $22 million cash and $23 million principal amount of convertible subordinated debentures of the Company. This business combination has been accounted for as a purchase and the results of operations of Kissinger have been included in the consolidated financial statements of the Company since March 31, 1981, the effective date of acquisition.

The acquisition is summarized as follows:

		000's
Net assets acquired:		
Current assets		$13,172
Current liabilities		9,653
		3,519
Property, plant and equipment		56,862
		60,381
Long-term debt	$19,166	
Deferred income taxes	1,623	20,789
		$39,592

Purchase consideration:	000's
Cash, including acquisition costs of $229,000	$22,229
8½% debentures, net of discount of $5,637,000	17,363
	$39,592

Had the acquisition of Kissinger been made at January 1, 1980, it would not have had a significant effect on the consolidated results of operations of the Company for the year ended December 31, 1980.

3. UNITED STATES ACCOUNTING PRINCIPLES

The accounting principles as described in note 1 differ from those generally accepted in the United States in the following respects:

(a) **Currency Translation**

Under United States accounting principles, the Canadian dollar bank loans (see note 6) would have been translated into U.S. dollars at the exchange rate in effect at the current balance sheet date.

(b) **Capitalization of Interest Costs**

The Company has capitalized interest to December 31, 1980 on the portion of its outstanding bank loans that was regarded to relate to ongoing development activities in the Ninian Field in the North Sea. Under United States accounting principles, the interest capitalization period for the Ninian project would have ended upon the commencement of production from the Field effective January 1, 1979.

The effect on consolidated net earnings of the difference between Canadian and United States accounting principles in the area of currency translation is not significant.

The effect on consolidated net earnings of the difference between Canadian and United States accounting principles in the area of interest capitalization is summarized as follows:

	1981		1980		1979	
	Amount (000's)	Per Share	Amount (000's)	Per Share	Amount (000's)	Per Share
Net earnings as reported	**$16,979**	**$.28**	$25,501	$.43	$10,942	$.19
Effect of capitalized interest, net of deferred income taxes	**841**	**.02**	(1,930)	(.03)	(4,248)	(.07)
Net earnings under United States accounting principles	**$17,820**	**$.30**	$23,571	$.40	$ 6,694	$.12

The effect on the Company's balance sheet of the above difference in accounting policy is summarized as follows:

	As Reported	(Decrease)	Under United States Accounting Principles
		(000's)	
December 31, 1981			
Property, plant and equipment	**$359,681**	**$(11,025)**	**$348,656**
Deferred taxes	**168,114**	**(5,688)**	**162,426**
Retained earnings	**59,062**	**(5,337)**	**53,725**
December 31, 1980			
Property, plant and equipment	273,731	(12,762)	260,969
Deferred taxes	76,655	(6,584)	70,071
Retained earnings	42,083	(6,178)	35,905

4. INVESTMENT IN AFFILIATED COMPANIES

	000's
Canadian & Oriental Oil Limited (a)	
Investment, at cost (quoted market value — $7,565,000)	$7,400
Share of loss	(325)
	7,075
Sedco/Ranger Drilling Corporation (b)	
Investment, at cost	449
Other, at cost	722
	$8,246

(a) During 1981, the Company and Canadian & Oriental Oil Limited ("COOL"), a Hong Kong based corporation, entered into an arrangement under which COOL acquired a 50% interest in the oil and gas properties and land-based drilling rigs acquired by the Company in the acquisition of Kissinger (see note 2). In addition, COOL will participate with the Company in ongoing North American oil and gas exploration and production activities. The Company manages the operations of the joint venture program and holds a 9.9% share interest in COOL.

(b) During 1981, the Company entered into an agreement to form a corporate joint venture with Sedco, Inc. to own and operate a Sedco 700 type, semi-submersible, mobile off-shore drilling rig, to be known as the Sedco 714. The Company and Sedco, Inc. each have a 50% interest in the joint venture.

The drilling rig is to be constructed at an estimated cost of $110 million and upon completion, expected in June 1983, will be contracted to the Company for a minimum period of five years. The Company and Sedco, Inc. are presently negotiating an interim loan facility on behalf of the joint venture to finance the cost of the rig during the period of construction. It is anticipated that a permanent financing facility will be arranged upon completion of construction, secured by the drilling contract with the Company and a mortgage on the rig. The aggregate equity participation in the joint venture by the Company and Sedco, Inc. is not to exceed 10% of the total cost of the rig.

As of December 31, 1981, the Company had advanced $8,963,000 (including interest) to the joint venture corporation, of which $449,000 represents the Company's 5% equity investment to date and $8,514,000 is to be repaid from the initial drawdown of funds under the interim loan facility.

Under the terms of the five-year non-cancellable drilling contract, the Company will pay the joint venture an operating day rate throughout the contract term that will amortize the cost of the drilling rig over the five-year period and cover all interest charges and operating expenses.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depletion and Depreciation	Net
December 31, 1981		(000's)	
Oil and gas properties*			
Canada	**$ 67,139**	**$13,295**	**$ 53,844**
United States	**45,017**	**6,196**	**38,821**
United Kingdom	**313,214**	**75,274**	**237,940**
Other foreign areas	**8,623**	**—**	**8,623**
Mineral properties	**3,155**	**—**	**3,155**
Aircraft	**10,128**	**1,271**	**8,857**
Other equipment	**10,213**	**1,772**	**8,441**
	$457,489	**$97,808**	**$359,681**

December 31, 1980	Cost	Accumulated Depletion and Depreciation	Net
		(000's)	
Oil and gas properties*			
Canada	$ 41,654	$10,986	$ 30,668
United States	10,231	5,237	4,994
United Kingdom	256,266	36,144	220,122
Other foreign areas	4,913	—	4,913
Mineral properties	3,058	—	3,058
Aircraft	10,032	741	9,291
Other equipment	1,257	572	685
	$327,411	$53,680	$273,731

*Includes oil and gas properties, together with exploration, development and production equipment thereon.

The United States cost center includes unproved property costs of $28,868,000 at December 31, 1981 which have been excluded from costs presently being depleted. These properties are currently in various stages of exploration and development, and it is anticipated that the costs will be included in the depletion computation over the next two years.

6. LONG-TERM DEBT

The long-term debt of the Company and its subsidiaries is summarized as follows:

	1981	1980
	(000's)	
North America		
Canadian dollar bank loan (1981 — $52,000,000 Cdn.; 1980 — $200,000 Cdn.), bearing interest at bank's prime lending rate	**$ 43,528**	$ 167
Banker's acceptance notes (1981 — $10,000,000 Cdn.; 1980 — $18,200,000 Cdn.), bearing interest at 16.5% per annum	**8,314**	15,247
U.S. dollar bank loan, bearing interest at bank's prime lending rate	**4,200**	—
U.S. dollar bank loans, bearing interest at London Interbank Offered Rate plus ½% per annum	**16,600**	—
8½% Convertible subordinated debentures (principal amount — $23,000,000 U.S.; effective interest rate — 12%)	**17,575**	—
Other	**139**	—
United Kingdom		
U.S. dollar bank loan, bearing interest at London Interbank Offered Rate plus ⅝% per annum	**21,900**	111,400
	112,256	126,814
Less current maturities included in current liabilities	**—**	8,400
	$112,256	$118,414

(a) The North American loans and banker's acceptance notes are secured by North American oil and gas properties, general assignments of book debts, a demand debenture of the Company providing a first floating charge over all its assets and a pledge of the outstanding shares of a U.S. subsidiary. The loans and notes are repayable from the general cash flow of the companies.

(b) The debentures have a term of 20 years, are redeemable under certain circumstances and are convertible into common shares of the Company commencing September 21, 1982 at a price of $28.75 U.S. per share.

(c) The U.K. loan has been advanced under a $50,000,000 U.S. loan facility available to March 31, 1983 and is secured by a first fixed charge over the U.K. subsidiary's interest in the Ninian Field in the North Sea, a first floating charge over its other assets and a guarantee provided by the Company. Repayment terms based on normal production loan parameters are to be established upon expiration of the availability period. The U.K. subsidiary pays a standby fee of ¼% per annum on the unused portion of the loan facility.

7. CAPITAL STOCK

(a) Changes in outstanding common share capital during the three years ended December 31, 1981 were as follows:

	Number of Shares	Amount
Balance, December 31, 1978	51,568,992	$20,485,000
Shares issued		
For cash on exercise of employee stock options	280,200	397,000
For cash on public offering	7,800,000	17,028,000
Balance, December 31, 1979	59,649,192	37,910,000
Shares issued on exercise of employee stock options		
For cash	200,600	354,000
For a promissory note	240,000	251,000
Balance, December 31, 1980	60,089,792	38,515,000
Shares issued on exercise of employee stock options		
For cash	**61,600**	**134,000**
For a promissory note	**72,000**	**121,000**
Shares issued under employees' stock bonus plan	**19,620**	**330,000**
Balance, December 31, 1981	**60,243,012**	**$39,100,000**

(b) As of December 31, 1981, common shares in the capital stock of the Company were reserved as follows:

1,008,000 shares under an employees' stock option plan of which options to purchase 979,700 shares are outstanding, exercisable from time to time to December 1987 at prices ranging from $1.46 Cdn. to $18.50 Cdn. per share;

580,380 shares under an employees' stock bonus plan of which 85,380 shares have been awarded and are to be issued as fully paid without consideration in annual instalments to May 1986;

800,000 shares for issue on conversion of 8½% debentures (see note 6).

(c) Changes in the number of shares issuable under outstanding options during the three years ended December 31, 1981 were as follows:

	1981	1980	1979
Shares under option at beginning of year	**1,017,800**	1,431,000	1,825,200
Options granted	**138,500**	73,000	120,000
Options exercised	**(133,600)**	(440,600)	(280,200)
Options cancelled	**(43,000)**	(45,600)	(234,000)
Shares under option at end of year	**979,700**	1,017,800	1,431,000

(d) The Directors of the Company have approved, subject to confirmation by the shareholders of the Company:

(i) an agreement with the Chairman and President of the Company which provides a ten-year option to acquire 2,500,000 common shares of the Company at a price of $10.50 Cdn. per share, exercisable as to 50% of the option shares after the fifth anniversay of the date of the grant and as to a further 10% after each successive anniversary thereafter; and

(ii) an amendment to the employees' stock option plan to increase the number of shares to be reserved and set aside for the grant of options by 1,779,400 common shares.

8. NINIAN FIELD REDETERMINATION

Under the Ninian Unitization Agreement, the Company's interest in the Ninian Field in the U.K. sector of the North Sea is based on the allocation of oil reserves in place and is subject to periodic adjustment as additional reservoir data from the Field becomes available. Effective January 1, 1981, the Company's interest in the Field was redetermined and increased to 6.1783% from 5.192%. Accordingly, in February 1981, the Company paid to the other participants in the Field a proportionately increased share of past development costs and operating expenses (including interest thereon) of $37,167,000 and $2,181,000, respectively. In addition, the Company received during the second and third quarters of 1981 a correspondingly increased share of past oil production of approximately 1.4 million barrels (before deduction of royalties and 8% financing fee). The effect of this increased share of past production included in the Company's consolidated statement of earnings for the year ended December 31, 1981 is summarized as follows:

	000's
Revenue	
Oil and gas sales, net of royalties and 8% financing fee	$42,756
U.K. Supplementary Petroleum Duty	10,027
	32,729
Expenses	
Operating	2,181
Depletion and depreciation	6,887
Provision for future site restoration costs	543
	9,611
Earnings before taxes	$23,118

The next redetermination of interests is to be made in July 1982, and it is expected that the final determination of the Company's interest in the Field will occur not later than July 1, 1984.

9. INCOME AND U.K. PETROLEUM REVENUE TAXES

Consolidated earnings before taxes and tax provisions for the three years ended December 31, 1981 arise substantially from operations in the U.K. and are summarized as follows:

	1981	1980	1979
		(000's)	
Earnings (loss) before taxes			
U.K.	**$114,918**	$78,239	$29,470
Other areas	**(9,073)**	(1,055)	1,814
	$105,845	$77,184	$31,284
Deferred income taxes			
U.K.	**$ 31,224**	$25,135	$ 8,435
Other areas	**(1,638)**	498	146
	29,586	25,633	8,581
Deferred U.K. petroleum revenue tax	**60,250**	25,977	11,684
	89,836	51,610	20,265
Current income taxes (recovery)	**(970)**	73	77
	$ 88,866	$51,683	$20,342

Deferred income and U.K. petroleum revenue tax expenses result from timing differences between exploration and development costs claimed for tax purposes and the related depletion and depreciation expenses reflected in the accounts.

10. COMMITMENTS

(a) **Sedco/Ranger Drilling Rig**

See note 4.

(b) **Offshore Supply Vessels**

In connection with its interest in the Sedco 714 drilling rig described in note 4, the Company has entered into an agreement to form a corporate joint venture to purchase two offshore supply vessels at a total estimated cost of $23 million. The Company has a 50% interest in the joint venture. The vessels are scheduled for delivery in April and August 1983, respectively, at which time they will be chartered to the Company for a five-year period.

(c) **Lease Obligations**

Future minimum lease payments under operating leases relating to the rental of office and other building facilities (but excluding leases related to oil, gas and mineral rights) are as follows:

Year ending December 31,	
1982	$ 704,000
1983	739,000
1984	1,003,000
1985	1,033,000
1986	1,005,000
Thereafter	10,777,000
	$15,261,000

Total lease rentals charged to operations during each of the three years ended December 31, 1981 were not significant.

11. SEGMENT INFORMATION

The Company operates principally in one industry segment, which comprises the exploration for, and the development and production of oil and gas. Information about the Company's operations by geographic area for the three years ended December 31, 1981 is as follows:

	1981	1980	1979
		(000's)	
Oil and gas sales			
Canada	**$ 9,430**	$ 9,140	$ 8,266
United States	**2,122**	1,694	1,974
United Kingdom	**240,702**	128,946	58,918
	$252,254	$139,780	$ 69,158
Operating profit (loss)			
Canada	**$ 4,368**	$ 5,761	$ 4,838
United States	**405**	(3,298)	449
United Kingdom*	**115,935**	79,482	30,002
Other foreign areas	**(188)**	(510)	—
	120,520	81,435	35,289
Investment and other income	**962**	996	803
General corporate expenses	**(7,073)**	(3,774)	(2,280)
Interest expense (excluding Ninian loan interest)	**(8,564)**	(1,473)	(2,528)
Earnings before taxes	**$105,845**	$ 77,184	$ 31,284
Identifiable assets			
Canada	**$ 68,769**	$ 43,498	$ 28,018
United States	**44,111**	5,064	8,791
United Kingdom	**238,081**	220,256	207,317
Other foreign areas	**8,720**	4,913	2,378
	359,681	273,731	246,504
Corporate assets	**63,984**	26,140	22,068
Total assets	**$423,665**	$299,871	$268,572

*After deduction of Ninian loan interest.

The Company received approximately 95%, 92% and 85% of its oil and gas revenues from oil sales to one customer in 1981, 1980 and 1979, respectively.

12. OIL AND GAS PRODUCING ACTIVITIES

(a) Net Revenues from Oil and Gas Production

	Canada	United States	United Kingdom	Total
			(000's)	
1981				
Oil and gas sales	**$9,430**	**$2,122**	**$240,702**	**$252,254**
Production expenses	**1,519**	**693**	**15,012**	**17,224**
Net revenues	**$7,911**	**$1,429**	**$225,690**	**$235,030**
1980				
Oil and gas sales	$9,140	$1,694	$128,946	$139,780
Production expenses	1,519	498	9,032	11,049
Net revenues	$7,621	$1,196	$119,914	$128,731
1979				
Oil and gas sales	$8,266	$1,974	$ 58,918	$ 69,158
Production expenses	1,360	489	4,441	6,290
Net revenues	$6,906	$1,485	$ 54,477	$ 62,868

(b) Costs Incurred in Oil and Gas Producing Activities

	Canada	United States	United Kingdom	Other Foreign Areas	Total
			(000's)		
1981					
Property acquisition*					
Unproven	**$16,241**	**$28,299**	**$ —**	**$ —**	**$ 44,540**
Proven	**18,907**	**3,253**	**—**	**—**	**22,160**
Exploration	**6,821**	**3,307**	**4,923**	**5,398**	**20,449**
Development	**6,116**	**4,738**	**52,025**	**—**	**62,879**
	$48,085	**$39,597**	**$56,948**	**$5,398**	**$150,028**

*Includes properties acquired on purchase of Kissinger Petroleum Corporation (see note 2).

Production expenses	**$ 1,519**	**$ 693**	**$15,012**	**$ —**	**$ 17,224**
Depreciation, depletion and write-down of oil and gas properties	**$ 2,309**	**$ 959**	**$39,130**	**$ 188**	**$ 42,586**
1980					
Property acquisition	$1,118	$ —	$ 2,326	$ —	$ 3,444
Exploration	5,802	688	4,229	3,045	13,764
Development	2,930	—	29,221	—	32,151
	$9,850	$ 688	$35,776	$3,045	$49,359
Production expenses	$1,519	$ 498	$ 9,032	$ —	$11,049
Depreciation, depletion and write-down of oil and gas properties	$1,552	$4,477	$22,426	$ 510	$28,965

1979	Canada	United States	United Kingdom	Other Foreign Areas	Total
			(000's)		
Property acquisition					
Unproven	$ 363	$ (106)	$ —	$ —	$ 257
Proven	—	1,517	—	—	1,517
Exploration	3,078	915	213	1,952	6,158
Development	2,254	1,036	43,816	—	47,106
	$5,695	$3,362	$44,029	$1,952	$55,038
Production expenses	$1,360	$ 489	$ 4,441	$ —	$ 6,290
Depreciation and depletion	$1,663	$1,039	$13,761	$ —	$16,463

Auditors' Report

To the Shareholders of
Ranger Oil Limited

We have examined the consolidated balance sheet of Ranger Oil Limited as at December 31, 1981 and 1980 and the consolidated statements of earnings and retained earnings and changes in financial position for the three years ended December 31, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for the three years ended December 31, 1981 in accordance with generally accepted accounting principles applied on a consistent basis.

Thorne Riddell

Calgary, Canada
March 3, 1982

Thorne Riddell
Chartered Accountants

Supplemental Financial Information

(Unaudited)

1. OIL AND GAS RESERVES AND RELATED RESERVE RECOGNITION ACCOUNTING DATA

(a) Oil and Gas Reserves

The following tables set forth the Company's net proved and proved developed oil and gas reserves as at December 31, 1979, 1980 and 1981. The quantities of proved and proved developed oil and gas reserves are determined by the Company's engineering staff for the Canadian reserves and by independent consulting engineers for the United States and the United Kingdom reserves.

(i) Oil and Natural Gas Liquids
(thousands of barrels)

	Canada	United States	United Kingdom	Total
Proved Reserves, December 31, 1978	3,200	243	43,314	46,757
Revision of previous estimates	(283)	(84)	1,329	962
Purchase of reserves	—	15	—	15
Extensions, discoveries	184	24	—	208
Production	(252)	(28)	(2,666)	(2,946)
Proved Reserves, December 31, 1979	2,849	170	41,977	44,996
Revision of previous estimates	66	(30)	—	36
Extensions, discoveries	116	2	2,504	2,622
Production	(245)	(19)	(3,664)	(3,928)
Proved Reserves, December 31, 1980	2,786	123	40,817	43,726
Additional reserves due to redetermination of Ninian working interest	—	—	8,911	8,911
Proved Reserves, January 1, 1981	**2,786**	**123**	**49,728**	**52,637**
Revision of previous estimates	**(347)**	**177**	**(1,473)**	**(1,643)**
Purchase of reserves	**—**	**242**	**—**	**242**
Extensions, discoveries	**146**	**78**	**—**	**224**
Sale of reserves	**—**	**(112)**	**—**	**(112)**
Production	**(217)**	**(39)**	**(6,458)**	**(6,714)**
Proved Reserves, December 31, 1981	**2,368**	**469**	**41,797**	**44,634**
Proved Developed Reserves:				
December 31, 1979	2,849	154	5,533	8,536
December 31, 1980	2,786	107	23,695	26,588
December 31, 1981	**2,368**	**403**	**33,089**	**35,860**

(ii) Natural Gas
(millions of cubic feet)

	Canada	United States	Total
Proved Reserves, December 31, 1978	60,980	9,700	70,680
Revision of previous estimates	(397)	(3,950)	(4,347)
Purchase of reserves	—	2,036	2,036
Extensions, discoveries	9,187	537	9,724
Production	(3,746)	(900)	(4,646)
Proved Reserves, December 31, 1979	66,024	7,423	73,447
Revision of previous estimates	(873)	(2,847)	(3,720)
Extensions, discoveries	13,757	—	13,757
Production	(2,988)	(663)	(3,651)
Proved Reserves, December 31, 1980	75,920	3,913	79,833
Revision of previous estimates	(16,238)	966	(15,272)
Purchase of reserves	36,587	240	36,827
Extensions, discoveries	17,321	404	17,725
Sale of reserves	(16,885)	(111)	(16,996)
Production	(3,390)	(476)	(3,866)
Proved Reserves, December 31, 1981	**93,315**	**4,936**	**98,251**
Proved Developed Reserves:			
December 31, 1979	66,024	5,431	71,455
December 31, 1980	75,920	1,920	77,840
December 31, 1981	**93,315**	**2,801**	**96,116**

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Based on this definition, the United Kingdom proved oil reserves do not include any reserves attributable to the South Ninian 3/8a-5A and 3/8a-6A wells drilled in 1980. Additional appraisal drilling will be required to determine the economic viability of these separate reservoirs.

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. The proved developed reserves of the United Kingdom have been calculated based on the ratio of Ninian wells drilled as at December 31 compared to the total Ninian wells to be drilled.

Net reserves are calculated after deducting any working, royalty (including government royalties) and override interests of other parties in the Company's properties.

(b) **Future Net Revenues**

Future net revenues from estimated production of the Company's proved and proved developed oil and gas reserves and the present value of such future net revenues as of December 31, 1979, 1980 and 1981, as determined by the Company's engineering staff for the Canadian and United Kingdom reserves and by independent consulting engineers for the United States reserves are set out in the following tables:

	Canada	United States	United Kingdom	Total
Future Net Revenues (thousands of U.S. dollars)				
Proved Reserves:				
1982	$ 10,474	$ 1,569	$ 125,000	$ 137,043
1983	10,873	2,394	207,973	221,240
1984	9,547	1,912	179,748	191,207
Thereafter	128,954	11,415	655,107	795,476
	$159,848	$17,290	$1,167,828	$1,344,966
Proved Developed Reserves:				
1982	$ 10,474	$ 2,042	$ 98,958	$ 111,474
1983	10,873	1,774	164,644	177,291
1984	9,547	1,351	142,299	153,197
Thereafter	128,954	8,989	518,622	656,565
	$159,848	$14,156	$ 924,523	$1,098,527
Present Value of Future Net Revenues (thousands of U.S. dollars)				
Proved Reserves:				
December 31, 1979	$56,275	$ 9,077	$634,731	$ 700,083
December 31, 1980	$60,038	$ 5,095	$990,904	$1,056,037
December 31, 1981	**$72,011**	**$10,268**	**$803,466**	**$ 885,745**
Proved Developed Reserves:				
December 31, 1979	$56,275	$ 7,358	$ 83,658	$ 147,291
December 31, 1980	$60,038	$ 3,156	$459,779	$ 522,973
December 31, 1981	**$72,011**	**$ 7,298**	**$636,077**	**$ 715,386**

Future net revenues have been estimated using current sales prices, royalties, operating costs and future development costs necessary to produce such reserves. They have been further reduced by United Kingdom Supplementary Petroleum Duty, Canadian Petroleum and Gas Revenue Tax and Incremental Oil Revenue Tax and United States Windfall Profit Tax. The present value of estimated future net revenues has been computed using a mid-year discount factor at a 10% rate.

The sales prices used in the calculation of estimated future net revenues are based upon the sales price received by the Company for production on December 31. Sales price changes occurring subsequent to year-end have not been considered in this calculation.

(c) **Summary of Oil and Gas Producing Activities**

The following information with respect to Reserve Recognition Accounting ("RRA") has been prepared in accordance with the Securities and Exchange Commission guidelines. Under this method of accounting, annual earnings are based on the change in value of proved reserves relative to the exploration and development expenditures incurred for the corresponding period.

Although Management supports the additional disclosure requirement of the future net revenues and net present values of reserves prepared under specific guidelines, they feel there are too many inherent difficulties in the estimation process to utilize this information in determining earnings for a period. The earnings determined under RRA will differ substantially from the cash flow generated from production operations and do not reflect the funds available for dividend payments or exploration and development.

	1981	1980	1979
		(000's)	
Additions to estimated proved oil and gas reserves	**$ 16,332**	$ 12,463	$ 6,253
Revision to estimates of reserves proved in prior years:			
Change in prices	**(7,548)**	205,294	169,664
Other	**(173,028)**	6,264	(21,272)
Interest factor — accretion of discount	**106,805**	70,008	51,075
Gain on sale of reserves in place and non-producing properties	**11,213**	—	—
	(46,226)	294,029	205,720
Additional value due to redetermination of Ninian working interest	**—**	160,698	—
	(46,226)	454,727	205,720
Exploration and development costs			
Costs incurred:			
Acquisition	**44,540**	3,444	1,774
Exploration	**20,275**	13,764	4,206
Development	**9,642**	2,193	3,114
	74,457	19,401	9,094
Changes in deferred costs	**(44,160)**	(9,600)	(1,908)
	30,297	9,801	7,186
Reserve recognition accounting results before taxes	**(76,523)**	444,926	198,534
Provision for income and U.K. petroleum revenue taxes	**23,186**	299,555	153,749
Results of oil and gas activities on the basis of reserve recognition accounting	**$ (99,709)**	$145,371	$ 44,785

Additions to estimated proved oil and gas reserves represent the present value of future revenues to be obtained from proved oil and gas reserves discovered during the current year.

Revision to estimates of reserves proved in prior years represents the change in present value of future revenues to be obtained from proved oil and gas reserves discovered in prior years.

Exploration and development costs represent the acquisition and drilling costs incurred by the Company which have been determined to be productive or non-productive during the year. Acquisition and exploration costs are deferred until it is determined whether or not the property contains proved reserves, at which time they are expensed.

Provision for taxes represents the estimated increased tax liability based on tax rates in effect at the end of the year. As this estimation of the liability only considers tax legislation in effect at the year-end, certain additional liabilities may exist for legislation subsequently enacted.

(d) **Summary of Changes in the Present Value of Estimated Future Net Revenues from Proved Reserves**

	1981	1980	1979
		(000's)	
Increases:			
Additions to estimated proved oil and gas reserves	**$ 16,332**	$ 12,463	$ 6,253
Revision to estimates of reserves proved in prior years	**(73,771)**	281,566	199,467
Additional value due to redetermination of Ninian working interest	**—**	160,698	—
Purchase of reserves in place	**22,160**	—	2,315
Expenditures that reduced future development costs	**53,239**	29,958	44,170
	17,960	484,685	252,205
Decreases:			
Production revenue less production expenses	**178,025**	128,731	62,868
Sales of reserves in place	**10,227**	—	—
	188,252	128,731	62,868
Increase (decrease) in present value	**(170,292)**	355,954	189,337
Balance at beginning of year	**1,056,037**	700,083	510,746
Balance at end of year	**$885,745**	$1,056,037	$700,083

2. SELECTED QUARTERLY FINANCIAL DATA

The following table summarizes selected quarterly financial data for 1981 and 1980:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(in thousands of dollars, except per share amounts)			
1981				
Oil and gas sales	**$55,438**	**$85,729**	**$59,825**	**$51,262**
Net earnings	**$ 6,531**	**$ 5,478**	**$ 1,537**	**$ 3,433**
Net earnings per share	**$.11**	**$.09**	**$.03**	**$.05**
1980				
Oil and gas sales	$27,814	$35,646	$35,021	$41,299
Net earnings	$ 4,624	$ 5,926	$ 6,135	$ 8,816
Net earnings per share	$.08	$.10	$.10	$.15

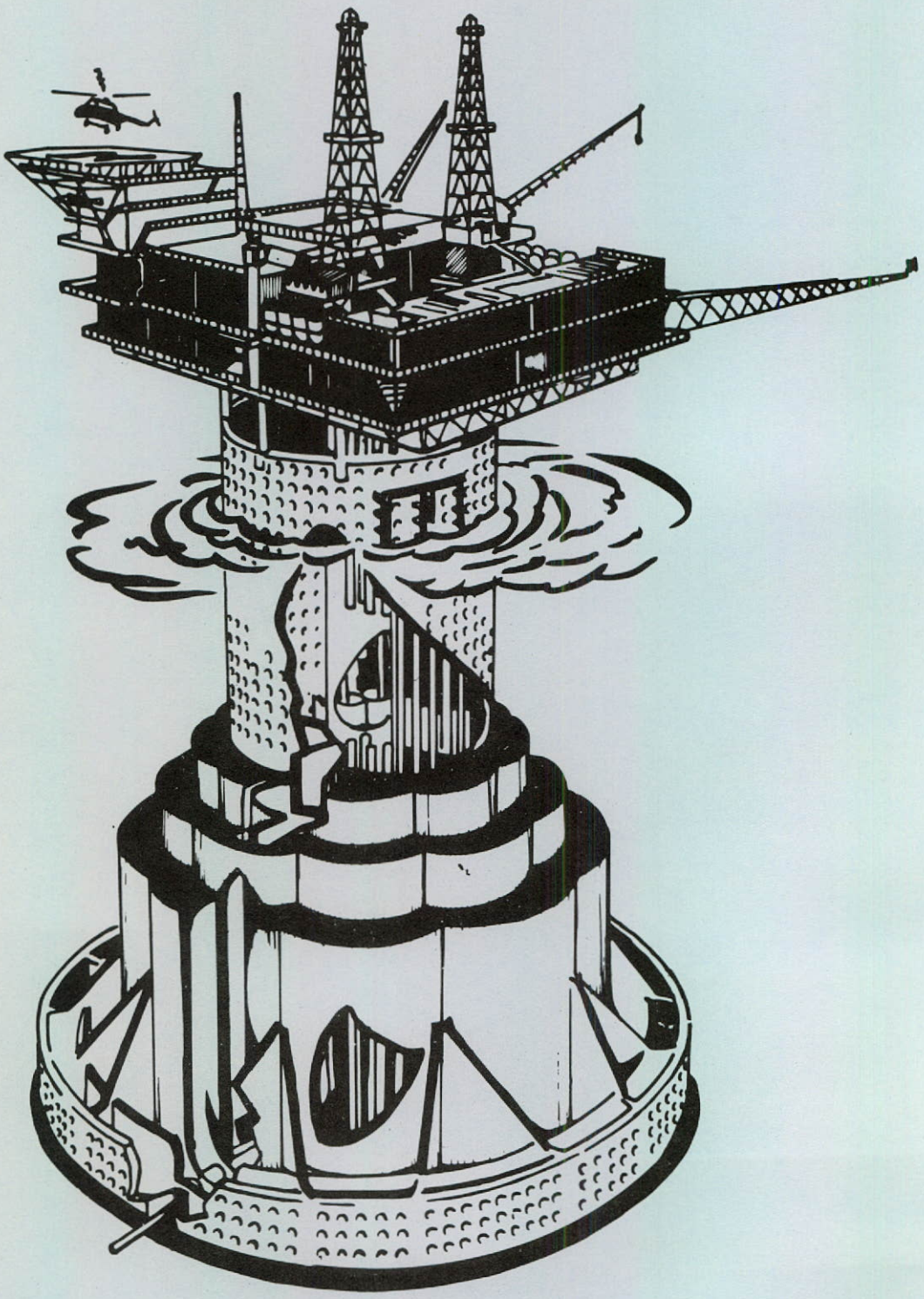
Ranger Oil Limited

Five Year Statistical Review

(in thousands unless otherwise stated — dollar amounts are expressed in U.S. dollars)

	1981	1980	1979	1978	1977
Earnings					
Revenue	**$200,808**	$140,776	$ 69,961	$ 9,548	$ 9,032
Cash Flow	**$154,405**	$108,526	$ 50,125	$ 5,053	$ 5,610
Net Earnings (Loss)	**$ 16,979**	$ 25,501	$ 10,942	$ (3,773)	$ 2,461
Net Earnings (Loss) per share	**$.28**	$.43	$.19	$(.07)	$.05
Balance Sheet					
Working Capital	**$ 19,660**	$ 7,529	$ 374	$ 2,041	$ 3,181
Property, Plant & Equipment — net	**$359,681**	$273,731	$245,975	$207,592	$137,043
Long-term debt	**$112,256**	$118,414	$163,987	$178,279	$104,899
Shareholders' Equity	**$ 98,162**	$ 80,598	$ 54,492	$ 26,125	$ 29,544
Number of shares Outstanding — at Year End	**60,243**	60,090	59,649	51,569	51,262
Market Price for Shares					
Toronto ($Cdn.) — High	**$23.00**	$27.50	$9.13	$3.31	$2.60
— Low	**$ 8.00**	$ 6.50	$2.67	$2.15	$1.50
American — High	**$19.25**	$23.38	$7.83	$2.88	$2.50
— Low	**$ 6.63**	$ 5.21	$2.50	$1.81	$1.48
Capital Expenditures					
North America	**$ 45,536**	$ 18,270	$ 9,247	$ 13,130	$ 6,346
North Sea	**$ 56,487**	$ 35,835	$ 44,029	$ 66,335	$ 42,904
Other Foreign Areas	**$ 5,496**	$ 3,045	$ 1,952	$ 426	$ —
Land Holdings — Acres					
North America — gross	**2,284**	489	423	498	1,088
— net	**385**	150	132	164	172
North Sea — gross	**240**	216	204	204	335
— net	**66**	62	60	60	111
Other Foreign Areas — gross	**8,567**	6,088	2,138	—	—
— net	**2,945**	2,640	428	—	—
Production — North America					
Crude Oil & Natural Gas Liquids — before royalty					
Annual (bbls)	**411,000**	451,000	473,000	477,000	507,000
Daily Average (bbls)	**1,262**	1,232	1,297	1,307	1,388
Natural Gas — before royalty					
Annual (Bcf)	**5.9**	5.2	6.4	5.6	6.2
Daily Average (Mcf)	**17,662**	14,162	17,644	15,243	16,940
Production — United Kingdom					
Crude Oil & Natural Gas Liquids — before royalty					
Annual (bbls)	**6,578,000**	4,392,000	2,960,000	—	—
Daily Average (bbls)	**18,021**	12,000	8,109	—	—

The above Net Earnings per share and market price for shares have been adjusted to give effect to a two-for-one stock split in August 1978, a two-for-one stock split in December 1979 and a three-for-one stock split in October 1980.



BOARD OF DIRECTORS

J. M. Pierce (Calgary, Alberta)
Chairman & President of the Company

*E. O. Parry (Calgary, Alberta)
President of Morrin Holdings Ltd., a family holding company

E. M. Bronfman (Toronto, Ontario)
Deputy Chairman of Edper Investments Ltd., a family investment and financial company

*F. R. Matthews, Q.C. (Calgary, Alberta)
Partner, MacKimmie Matthews, Counsel for the Company

A. B. Henderson (London, England)
Chairman, Newmarket Company (1981) Ltd., a venture capital company

*A. G. Hall (Calgary, Alberta)
President of Sepic River Resources Ltd.

*W. B. Dingle (Calgary, Alberta)
Retired Oil Executive

Member of Audit Committee and of Compensation Committee

OFFICERS & SENIOR PERSONNEL

J. M. Pierce
Chairman & President

J. J. Newman
Senior Vice President, Exploration & Production

A. K. Surridge
Senior Vice President, Finance

S. B. Smith
Vice President Operations, North America

A. L. Evans
Vice President Exploration, International

E. E. Felzien
Vice President, Drilling Operations

F. J. Dyment
Treasurer

L. Treloar
Secretary

G. H. Bowman
Managing Director, Ranger Oil (U.K.) Limited

E. Tonn
President, Ranger Oil Company

J. J. K. Poll
Vice President & General Manager, Ranger Oil (Australia) Ltd.

HEAD OFFICE

2700 Esso Plaza East
425 First St. S.W.
Calgary, Alberta
T2P 3L8
Telephone: (403) 263-1500
Telex: 038-22876

U.S. BUSINESS OFFICES

Principal U.S. Office:
Ranger Oil Company
Suite 400
9301 Southwest Freeway
Houston, Texas 77074
Telephone: (713) 270-0727
Telex: 00-794277

Denver Region Office:
Ranger Oil Company
7450 East Progress Place
Denver, Colorado 80111
Telephone: (303) 773-0550
Telex: 00-45698

U.K. BUSINESS OFFICE

Ranger Oil (U.K.) Limited
Ranger House
69/71 Great Peter Street
London, SWIP 2BN, England
Telephone: 01-222-4363
Telex: 51-919077

AUSTRALIAN BUSINESS OFFICE

Ranger Oil (Australia) Limited
Mount Newman House
200 St. George's Terrace
Perth, Western Australia 6000
Telephone: 09-322-1822
Telex: 71-94074

DRILLING DIVISION

Trumark Drilling Services
2700 Esso Plaza East
425 First St. S.W.
Calgary, Alberta
T2P 3L8
Telephone: (403) 234-7549
Telex: 038-22876

SUBSIDIARY COMPANIES

Ranger Oil (U.K.) Limited
Ranger Oil Company
Ranger Holdings Company
Ranger Oil (International) Limited
Ranger, Inc.
Ranger Oil (Australia) Limited
Kissinger Petroleums Ltd.

BANKERS

Bank of Montreal
Calgary, Alberta

AUDITORS

Thorne Riddell
Calgary, Alberta

LEGAL COUNSEL

MacKimmie Matthews
Calgary, Alberta

Norton, Rose, Botterell & Roche
London, England

TRANSFER AGENTS

Guaranty Trust Company of Canada
Calgary, Vancouver, Toronto

The Chase Manhattan Bank
New York, N.Y.

Morgan Genfell & Co. Limited
London, England

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
American Stock Exchange
London Stock Exchange

Ranger Oil Limited

printed in Canada